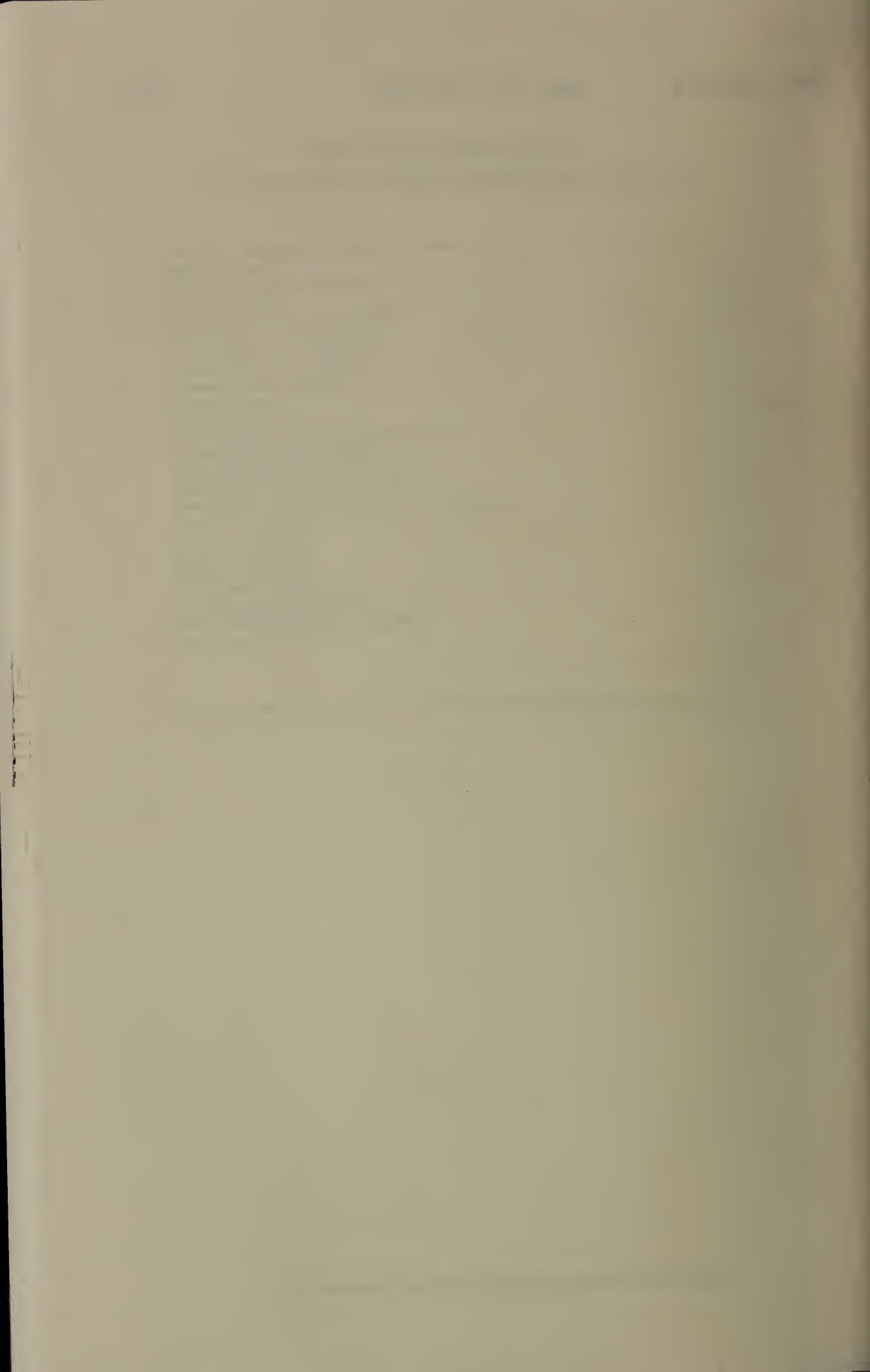


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The Commonwealth of Massachusetts

**1994 ABSTRACT OF
THE FINANCIAL REPORT
OF THE COMPTROLLER**

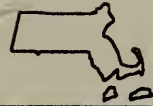
For the Fiscal year Ended June 30, 1994

WILLIAM KILMARTIN,
Comptroller.

THIS FINANCIAL REPORT
IS SUBMITTED TO THE
GENERAL COURT
IN COMPLIANCE WITH
SECTION 4 AND SECTION 12
OF CHAPTER 7A
OF THE
GENERAL LAWS.

DETAILED INFORMATION
RELATING TO THESE STATEMENTS
WILL BE CONTAINED IN
PUBLIC DOCUMENT 140
WHICH WILL BE FILED AT A LATER DATE
WITH THE
SECRETARY OF STATE
AS REQUIRED.

COMMONWEALTH OF MASSACHUSETTS
FISCAL YEAR ENDED JUNE 30, 1994



COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT

Prepared by the Office of the Comptroller



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**COMMONWEALTH OF MASSACHUSETTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 1994**

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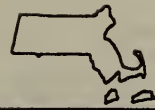
COMMONWEALTH OF MASSACHUSETTS
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COMMONWEALTH OF MASSACHUSETTS
FISCAL YEAR ENDED JUNE 30, 1994

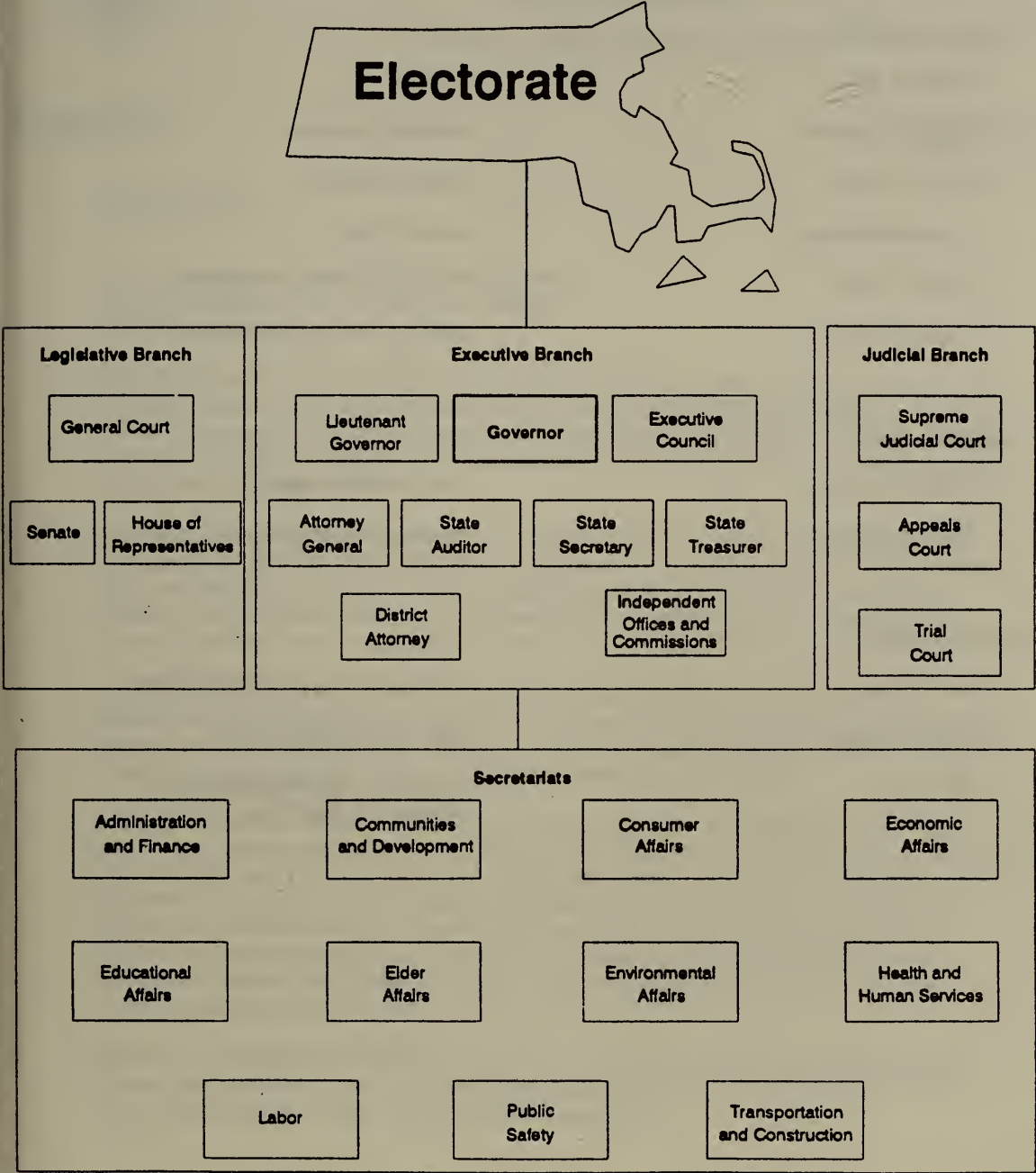


COMPREHENSIVE ANNUAL FINANCIAL REPORT

Introductory Section

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THE COMMONWEALTH OF MASSACHUSETTS
Organization Chart



COMMONWEALTH OF MASSACHUSETTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 1994

COMMONWEALTH OFFICERS (effective January 18, 1995)

Constitutional Officers:

William F. Weld	Governor
Argeo Paul Cellucci	Lieutenant Governor
William F. Galvin	Secretary of State
L. Scott Harshbarger	Attorney General
Joseph D. Malone	Treasurer and Receiver-General
A. Joseph DeNucci	Auditor of the Commonwealth

Legislative Officers:

William M. Bulger	President of the Senate
Charles F. Flaherty	Speaker of the House

Judicial Officers:

Paul J. Liacos	Chief Justice, Supreme Judicial Court
Joseph P. Warner	Chief Justice, Appeals Court
John J. Irwin	Chief Justice for Administration and Management, Trial Court



The Commonwealth of Massachusetts
Office of the Comptroller
One Ashburton Place
Boston, Massachusetts 02108

WILLIAM KILMARTIN
COMPTROLLER

Phone (617) 727-5000

FAX (617) 727-2163

December 21, 1994

To the Citizens of the Commonwealth of Massachusetts,
Governor William F. Weld, and Honorable Members
of the General Court:

The fiscal year ended June 30, 1994 (FY94) is noteworthy for the continued favorable performance in the budgeted funds. For the third consecutive year, revenues have exceeded expenditures by a significant amount. A large portion of liabilities created in past years has been funded. Also, in contrast to recent concerns in some other governments, the Commonwealth's portfolio of investments is being managed in a conservative and prudent manner.

The Office of the Comptroller is responsible for the fair presentation of the financial statements of the Commonwealth and for the preparation of this Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 1994, which is presented in three sections: Introductory, Financial and Statistical. The CAFR includes the information necessary for the reader to obtain a comprehensive understanding of the Commonwealth's financial position and the results of its operations for FY94.

The CAFR is prepared in accordance with generally accepted accounting principles (GAAP) as established by the Governmental Accounting Standards Board (GASB), the professional standards of the American Institute of Certified Public Accountants (AICPA), the recommendations of the Government Finance Officers Association (GFOA), and the requirements of state finance law.

In its FY94 CAFR, the Commonwealth adopted GASB Statement No. 14, "The Financial Reporting Entity". This statement redefined the criteria to include or exclude component units such as independent public authorities, and the manner by which such component units are presented in the financial statements. The component units included in the CAFR for FY94 is different than prior years. This follows a change in the FY93 CAFR, when the Commonwealth adapted GASB Statement No. 15 "Governmental College and University Accounting and Financial Reporting Models" and discretely presented the University and College Fund Type. These changes provide a more focused basis for measurement of financial performance.

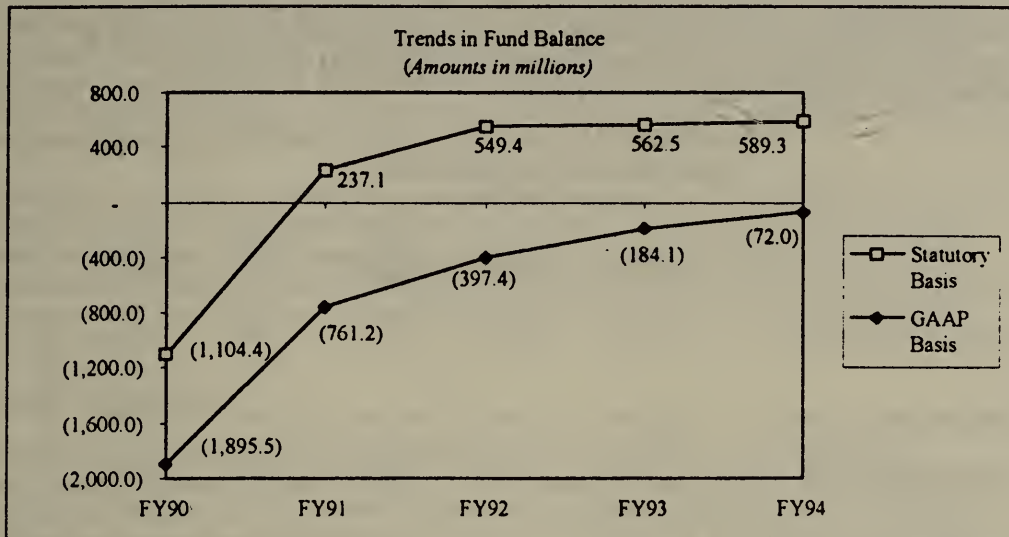
The Commonwealth's budgeted funds when presented in accordance with GAAP, while continuing to report a deficit fund balance, also show strong financial performance for the past three years. The following table shows a five-year summary of the budgeted funds.

<u>BUDGETED FUNDS OPERATIONS - GAAP BASIS</u>					
<i>(Amounts in millions)</i>					
	<u>FY90</u>	<u>FY91</u>	<u>FY92</u>	<u>FY93 *</u>	<u>FY94</u>
Beginning fund balances (deficits)	\$ <u>(946.2)</u>	\$ <u>(1,895.5)</u>	\$ <u>(761.2)</u>	\$ <u>(317.4)</u>	\$ <u>(184.1)</u>
Revenues and other financing sources	11,965.3	14,099.7	14,129.7	15,181.0	15,804.9
Expenditures and other financing uses	<u>13,381.0</u>	<u>14,328.1</u>	<u>13,765.9</u>	<u>15,047.7</u>	<u>15,692.8</u>
Excess (deficiency)	(1,415.7)	(228.4)	363.8	133.3	112.1
Prior year deficit financing	<u>466.4</u>	<u>1,362.7</u>			
Ending fund balances (deficits)	\$ <u>(1,895.5)</u>	\$ <u>(761.2)</u>	\$ <u>(397.4)</u>	\$ <u>(184.1)</u>	\$ <u>(72.0)</u>
* As restated to reflect discrete presentation of the University and College Fund					

On the statutory basis of accounting, which is used to develop the Commonwealth's budget and control its daily activities, the budgeted funds achieved positive balances.

<u>BUDGETED FUNDS OPERATIONS - STATUTORY BASIS</u>					
<i>(Amounts in millions)</i>					
	<u>FY90</u>	<u>FY91</u>	<u>FY92</u>	<u>FY93</u>	<u>FY94</u>
Beginning fund balances (deficits)	\$ <u>(319.3)</u>	\$ <u>(1,104.4)</u>	\$ <u>237.1</u>	\$ <u>549.4</u>	\$ <u>562.5</u>
Revenues and other financing sources	12,223.2	14,493.3	14,226.1	15,205.7	15,979.2
Expenditures and other financing uses	<u>13,474.7</u>	<u>14,514.5</u>	<u>13,913.8</u>	<u>15,192.6</u>	<u>15,952.4</u>
Excess (deficiency)	(1,251.5)	(21.2)	312.3	13.1	26.8
Prior year deficit financing	<u>466.4</u>	<u>1,362.7</u>			
Ending fund balances (deficits)	\$ <u>(1,104.4)</u>	\$ <u>237.1</u>	\$ <u>549.4</u>	\$ <u>562.5</u>	\$ <u>589.3</u>

As evidenced by the trend line of fund balance over time, there is a correlation between the GAAP basis measurement and the statutory basis measurement. While the difference in fund balance may vary in a given fiscal year, both "bottom lines" trend in the same direction.



Over the past three years, the budgeted funds on a statutory basis have reported operating gains, for a cumulative improvement to fund balance of \$352M. Over the same period on a GAAP basis, operating gains have improved fund balance by \$608M. Simply stated, widely acknowledged efforts to accomplish fiscal balance on a statutory basis are even more impressive when viewed on a GAAP basis.

The basic principle of GAAP is to match inflows pertaining to the fiscal year with outflows pertaining to that year, to demonstrate if the objective of interperiod equity was accomplished. A modified accrual basis of accounting is employed to recognize certain assets and liabilities. Accomplishment of interperiod equity is denoted in a positive fund balance, and non-accomplishment is shown as a fund deficit. In past years the Commonwealth did not fully fund its liabilities, resulting in fund deficits. The effect of fund deficits shifts the burden of funding expenditures incurred in prior years to taxpayers in future years. However, for the past three years the trend has been reversed. The Commonwealth is providing revenues to match expenditures in the current year and also providing excess revenues to "catch up" on interperiod equity. Continuation of this trend for another year will likely result in a positive fund balance, and an excellent financial condition.

There are five major items that account for almost all of the difference between statutory basis reporting and GAAP. These are the Medicaid accrual (expenditures incurred not yet paid under the statutory basis), claims and judgments (insurance claims and lawsuits pending but not yet paid), compensated absences (sick leave and vacation pay earned by employees to be taken in a future year), financial subsidies to the Massachusetts Bay and Regional Transit Authorities (to be appropriated in the subsequent fiscal years), and tax revenues owed but not yet collected by the Department of Revenue.

Changes in Medicaid are especially noteworthy to evaluate the positive trend.

Under the statutory basis, Medicaid expenditures are equivalent to cash disbursements. Under GAAP additional measurements are accrued for services delivered in the fiscal year for which bills will be rendered and paid in the next year and amounts owed for retroactive rate changes to providers such as hospitals and nursing homes. The trend of Medicaid expenditures, compared to total budgetary expenditures, when viewed on a GAAP basis is as follows:

<u>GAAP BASIS - MEDICAID EXPENSE</u> (Amounts in millions)					
	FY90	FY91	FY92	FY93	FY94
Medicaid expenditures	\$2,417.6	\$2,872.3	\$2,852.7	\$3,115.4	\$3,216.1
Degree of annual change	3.6%	18.8%	(0.7%)	9.2%	3.2%
Total budgeted expenditures	\$13,381.0	\$14,328.1	\$13,765.9	\$15,047.7	\$15,692.8
Degree of annual change	1.3%	7.1%	(3.9%)	9.3%	4.3%
Medicaid growth greater than (less than) overall budget growth	\$54.2	\$283.0	\$92.4	(\$2.6)	(\$33.3)

It is significant that increases in Medicaid expenditures from FY92 to FY94 of 12.7% is less than increases in total budgetary expenditures of 14.0% in the same period. This is a turnaround from prior years, when Medicaid had the label as one of the "budget busters" and annual increases had significantly out paced increases to the overall budget. The Division of Medicaid Assistance (DMA) has implemented several initiatives to control and constrain spending. Such initiatives include implementation of a comprehensive managed care program, redesign of the method for reimbursement to providers to encourage efficiency and control rate increases, and a more effective coordination of benefits with other program sources, including the uncompensated care program. Since Medicaid is such a large program in the budget (approximately 21% of all spending) even a relatively small percentage change has a significant effect on the bottom line. It is apparent that the initiatives implemented by DMA have a direct relationship on the Commonwealth's ability to increase other program spending, accomplish a balanced budget, and yield an operating gain that contributes to the accomplishment of interperiod equity.

INDEPENDENT AUDIT

The firm of Deloitte & Touche LLP, together with subcontractors Daniel Dennis & Company, Margaret Carr, CPA and Susan Perna-Damon, CPA, and assisted by the Office of the State Auditor, have performed an independent audit of the Commonwealth's general purpose financial statements for the fiscal year ended June 30, 1994. FY94 marks the ninth consecutive year that the financial statements have been reported upon by independent auditors. Their report is presented in the Financial Section.

INTERNAL CONTROL ENVIRONMENT

Massachusetts law, Chapter 647 of the Acts of 1989, places authority and responsibility for internal controls with the head of each executive department, constitutional office, and branch of government. The Office of the Comptroller issues internal control guidelines and the Office of the State Auditor may investigate departments with risk of internal control weaknesses. The two Offices have continued to deliver joint training sessions for department managers regarding their responsibility for internal control in the Commonwealth's highly computerized environment. Also during FY94, a multi-year effort to enhance the internal control plans for each of the 154 departments was achieved.

An absolute level of internal control assurance is prohibitively expensive. Using risk assessment criteria set forth in the guidelines and stressed in the training, the objectives of the Commonwealth's internal control structure are to provide management and the public with reasonable assurance that internal control systems do not have material weaknesses. The reader is referred to the separately published Commonwealth Single Audit and the report of the independent auditors for additional information on internal controls.

REPORTING ENTITY

The financial statements incorporate the fiscal activities of 154 departments, agencies, boards, commissions, institutions of higher education, the judicial and legislative branches of government, and constitutional offices. These departments record their daily financial operations in the Massachusetts Management Accounting and Reporting System (MMARS), operated by the Office of the Comptroller.

In addition, the financial statements include independent public authorities, and the State Employees' and Teachers' Retirement Systems. These component units meet the GAAP criteria for inclusion in the reporting entity, which are further described in Note 1 to the general purpose financial statements. The list of component units has been modified with the adoption of GASB Statement No. 14.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

MMARS is the computerized, statewide accounting system used by all departments to control and account for their financial activity under the statutory basis of accounting. The financial operations of the authorities and certain non-appropriated higher education funds are accounted for through their own independent accounting systems.

MMARS is designed to satisfy all requirements of the Commonwealth's statutory basis of accounting and financial reporting. Any additional information needed to prepare financial statements according to GAAP is provided through a combination of MMARS system generated data, information compiled by departments and the submission of audited financial statements from certain independent authorities.

Note 2 to general purpose financial statements provides a reconciliation between the General and Special Revenue Funds on a statutory basis and the GAAP basis presented in the general purpose financial statements.

GOVERNMENTAL FUND OPERATIONS

Within the Governmental Fund Types are the General Fund, Special Revenue Funds (many of which are budgeted), and Capital Projects Funds. These funds portray the Commonwealth's comprehensive governmental financial activity. The five-year trend of operations, on a GAAP basis, is summarized in the following table:

<u>GOVERNMENTAL FUND OPERATIONS</u> (Amounts in millions)					
	<u>FY90</u>	<u>FY91</u>	<u>FY92</u>	<u>FY93*</u>	<u>FY94</u>
Beginning fund balances (deficits)	\$ <u>(1,227.5)</u>	\$ <u>(1,595.0)</u>	\$ <u>(764.3)</u>	\$ <u>(416.8)</u>	\$ <u>(478.3)</u>
Revenues and other financing sources	17,713.3	20,217.5	20,795.5	22,380.3	23,226.0
Expenditures and other financing uses	<u>18,547.2</u>	<u>20,749.5</u>	<u>20,278.9</u>	<u>22,441.8</u>	<u>23,021.4</u>
Excess (deficiency)	(833.9)	(532.0)	516.6	(61.5)	204.6
Prior year deficit financing	<u>466.4</u>	<u>1,362.7</u>			
Ending fund balances (deficits)	\$ <u>(1,595.0)</u>	\$ <u>(764.3)</u>	\$ <u>(247.7)</u>	\$ <u>(478.3)</u>	\$ <u>(273.7)</u>
* As restated to reflect discrete presentation of the University and College Fund.					

When viewed as a whole, it is apparent that actions taken by the Commonwealth, while not yet sufficient to yield a positive fund balance, are having an effect. Within the Capital Projects Funds component of the Governmental total, the Commonwealth could have issued approximately \$302 million more in project financing. A quicker issuance of capital project financing, would yield a positive balance in the Governmental Funds.

FIDUCIARY FUND OPERATIONS

The Fiduciary Fund Types include the Expendable Trust, Nonexpendable Trust, Pension Trust and Agency Funds.

The Nonexpendable Trust Fund and the Agency Funds account for assets held with restrictions and assets held temporarily on behalf of other parties. The amount of such assets managed by the Commonwealth increased by \$226 million during FY94, to \$5 billion.

The Expendable Trust Funds ended FY94 with a fund balance of \$422.0 million composed of a balance of \$125.3 million in Expendable Trusts and \$296.7 million in the Unemployment Compensation Fund.

During the decade of the 1980's, the Unemployment Compensation Fund had been accumulating resources so that, at the end of FY88, it had \$1.1 billion on deposit with the U.S. Treasury to finance unemployment benefit payments and a total fund balance of \$1.2 billion. In FY89, for the first time in several years, cash withdrawals to pay benefits exceeded deposits from employer contributions. This trend accelerated in FY90, as unemployment benefit payments increased, and withdrawals exceeded deposits by \$554.9 million in FY91, and by \$342.0 million in FY92. In September of FY92, the Unemployment Compensation Trust Fund's deposits were depleted, and temporary loans from the federal government were required. Restructured employer contributions and benefits have been enacted, the underlying economy has changed, and deposits have exceeded withdrawals by \$113.6 million in FY93 and \$308.3 million in FY94 resulting in the repayment of loans from the federal government and a positive fund balance of \$296.7 million.

The Commonwealth is responsible for the payment of pension benefits for its employees and for the teachers of the cities, towns and regional school districts. It manages the operations of both the State Employee's Retirement System (SERS) and Teacher's Retirement Systems (TRS), and the Pension Trust Funds report the results of their operations and net assets available to fund pension benefit obligations in the Pension Trust Funds.

Pursuant to the pension reform law effective in FY88, the Commonwealth is funding its unfunded pension liabilities on a 40-year funding schedule. It is the responsibility of the Public Employee Retirement Administration (PERA) to complete actuarial updates for the funding schedule.

PERA has published an actuarial report as of January 1, 1993 for SERS, TRS and January 1, 1994 for State Boston Retirement System (SBRS). These reports when applied to the measurement of the pension funding status as defined by GAAP yield the following:

PENSION FUNDING STATUS

(Amounts in millions)

	<u>FY90</u>	<u>FY91</u>	<u>FY92</u>	<u>FY93</u>	<u>FY94</u>
Total pension benefit obligation	\$ 18,095	\$ 18,599	\$ 17,640	\$ 19,476	\$ 20,670
Net assets available for benefits	<u>7,813</u>	<u>8,439</u>	<u>9,825</u>	<u>10,584</u>	<u>12,201</u>
Unfunded pension benefit obligation	\$ <u>10,282</u>	\$ <u>10,160</u>	\$ <u>7,815</u>	\$ <u>8,892</u>	\$ <u>8,469</u>
Percent Funded	<u>43%</u>	<u>45%</u>	<u>56%</u>	<u>54%</u>	<u>59%</u>

Additional information on the retirement systems is presented in Note 10 to general purpose financial statements.

UNIVERSITY AND COLLEGE FUND TYPE

The CAFR since FY 93 presents the University and College system in accordance with the AICPA Industry Audit Guide "Audits of Colleges and Universities". This presentation combines financial activity from all fund types for:

- The University of Massachusetts, including its campuses at Amherst, Boston, Dartmouth, Lowell, Worcester Medical School, and the Teaching Hospital, Group Practice and Building Authorities,
- the State College System of nine state colleges, which provide four year post-secondary education, and the State College Building Authority, and
- the Community College system of fifteen community colleges which provide two-year post - secondary education programs.

The following table summarizes activity for the University and College Fund Type.

<u>UNIVERSITY AND COLLEGE FUND TYPE OPERATIONS</u>		
<i>(Amounts in millions)</i>		
	<u>FY93</u>	<u>FY94</u>
Beginning fund balances	\$ <u>1,991.6</u>	\$ <u>2,010.4</u>
Revenues and other additions	1,329.2	1,449.5
Expenditures and other deductions	1,881.3	2,006.4
Net transfers, including state appropriations	<u>570.9</u>	<u>581.4</u>
Net Increase (decrease)	<u>18.8</u>	<u>24.5</u>
Ending fund balances	\$ <u><u>2,010.4</u></u>	\$ <u><u>2,034.9</u></u>

The University and College Fund Type reports a positive GAAP fund balance. Approximately \$1.94 billion of this fund balance is restricted or designated in plant funds, endowment funds, or other purposes.

COMPONENT UNITS

The Commonwealth's relationship to the independent public authorities, reported as Component Units is based on statute and contracts between the Commonwealth and these entities. Due to the change in the Component Units included in the CAFR in FY94, only the current operations are summarized in the following table:

<u>COMPONENT UNITS OPERATIONS</u>					
<i>(Amounts in millions)</i>					
	<u>Beginning Retained earnings</u>	<u>Operating gain/ loss</u>	<u>Subsidy</u>	<u>Other changes</u>	<u>Ending Retained earnings</u>
Massachusetts Bay Transportation Authority	\$ (162)	\$ (579)	\$ 606	\$ (31)	\$ (166)
Regional Transit Authorities	1	(69)	48	22	2
Water Pollution Abatement Trust	2	(6)	3	8	7
Massachusetts Convention Center Authority	3	(18)	22	(11)	(4)
Bay State Skills Corporation	1	(4)	4	0	1
Government Land Bank	20	(5)	6	4	25
Massachusetts Community Development Finance Agency	4	(1)	1	(2)	2
Massachusetts Technology Park Corporation	20	(2)	0	1	19
Community Economic Development Assistance Corporation	28	0	2	0	30
Massachusetts Corporation for Educational Telecommunication	4	(9)	5	4	4
Massachusetts Industrial Service Program	10	(21)	0	24	13
Massachusetts Housing Partnership	15	0	1	(1)	15
Massachusetts Zoological Corporation	(1)	(2)	2	0	(1)
Massachusetts International Trade Council	1	(2)	1	0	0
Total	<u>\$ (54)</u>	<u>\$ (718)</u>	<u>\$ 701</u>	<u>\$ 18</u>	<u>\$ (53)</u>

CASH AND INVESTMENTS

Cash and investments are controlled by the State Treasurer. Each department transmits all cash receipts to the Treasurer's Office. Weekly and daily warrants for disbursements are prepared by the Comptroller, and reviewed and approved by the Governor's Council; disbursements are issued by the Treasurer. A major project is underway to streamline disbursement banking and maximize electronic funds transfer.

A system of bank depository and disbursement accounts and lockboxes is employed by the Treasurer's Office to maximize daily cash balances. The Treasurer manages these state cash balances in pooled investment funds to optimize interest earnings. The Treasurer's Office invests cash from these general accounts in short-term securities and other investments. A discussion of cash and investments is presented in Note 3 to general purpose financial statements.

The Treasurer is also responsible for quarterly cash flow plans, weekly variance reports, and, jointly with the Executive Office for Administration and Finance, annual and quarterly cash management plans. Taxes and non-tax inflows, warrants, other outflows, and short and long-term borrowings are monitored against these plans.

In FY94 the Commonwealth implemented the US Cash Management Improvement Act (CMIA). The CMIA requires the states to measure interest income on federal funds drawn from the US Treasury prior to disbursement, and for the US Treasury to measure interest income on funds drawn down subsequent to disbursement. A settlement of interest due to/due from the state and federal government is computed. As a joint project of the Treasurer's and Comptroller's Offices, an automated and centralized draw down of federal funds was implemented. At the end of the first year of CMIA, it is expected that an amount will be due to the Commonwealth from the US Treasury for interest and other reimbursable costs.

DEBT

The Commonwealth funds its capital appropriations by authorizing the issuance of long-term bonds. These appropriations authorize the Commonwealth's investment in its capital assets and capital grants to governmental entities. The following table sets forth the trend of the Commonwealth's tax supported long-term indebtedness for the last five years:

<u>LONG-TERM DEBT</u> (Amounts in billions)		
<u>Fiscal Year</u>	<u>Authorized - unissued</u>	<u>Principal amount of outstanding long-term debt</u>
1994	4.5	9.4
1993	4.6	9.2
1992	6.4	9.3
1991	4.9	8.6
1990	5.4	6.6

Approximately \$840 million of the bonds outstanding represents borrowing to finance the statutorily defined FY90 deficit. This authorization required complete repayment by FY98. During FY94, to take advantage of favorable changes in interest rates, the Commonwealth refunded approximately \$750 million in outstanding debt. This action created a net economic gain of \$49 million.

In addition to long-term debt, the Treasury may issue small denomination minibonds to finance capital projects. These bonds have a maximum term of 5 years, but, because they may be redeemed by the holders at any time, they are accounted for as fund liabilities. No new minibonds were issued in FY94; a balance of \$49 million remains outstanding and is due to be retired in FY95.

As authorized by state finance law, the State Treasurer engages in short-term borrowing to support governmental cash flow. As a signal of the improved financial condition, a reduced level of revenue anticipation notes for cash flow were issued in FY94.

Other debt financing consists of certificates of participation and capital lease agreements. Such financing arrangements are used to acquire fixed assets, such as computer equipment and motor vehicles. The Commonwealth continued to utilize this form of financing in FY94.

In October 1993, the Commonwealth's bond rating was upgraded by Standard and Poor's Corporation (from A to A+) and by Fitch Investors Service (from A to A+). In November of 1994 Moody's Investors Service upgraded the Commonwealth's bond rating (from A to A1).

Additional information on Commonwealth debt including guaranteed debt of independent public authorities, is presented in Notes 7, 8 and 12 to the general purpose financial statements.

RISK FINANCING

The Commonwealth assumes the risk of loss for property damage and personal injury, breach of contract, condemnation proceedings, and other alleged violations of law and is defended by the Attorney General's Office in such cases. In FY94, approximately \$35 million was expended to resolve such claims in special and existing appropriations.

Based on the Attorney General's evaluation of cases in which it is probable that a judgment will be rendered against the Commonwealth, and a loss incurred, an additional \$44 million has been accrued in the Governmental Funds at June 30, 1994. An additional \$17 million is accrued as an estimate of costs pending at the Appellate Tax Board.

The Commonwealth self-insures for workers compensation. The Public Employee Retirement Administration (PERA) centrally manages this program on behalf of all state departments. Since the claims review process can be lengthy, an accrual of \$47.9 million has been included in the Governmental Funds, and \$37.2 million in the University and College Fund Type as of June 30, 1994, based on experience with claims not yet paid.

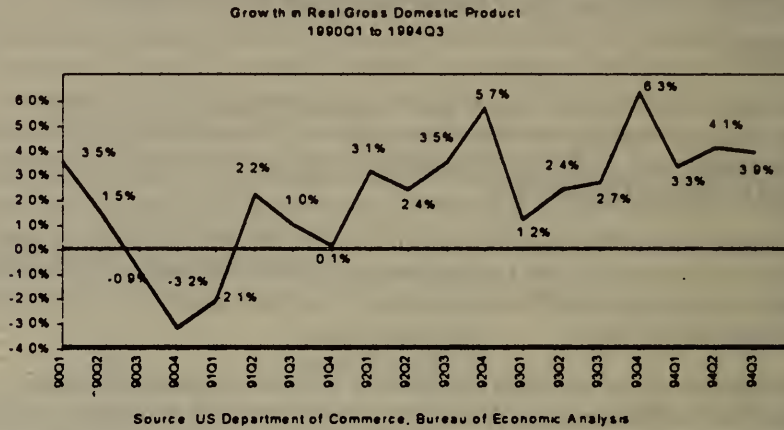
The Group Insurance Commission manages the health insurance program for state employees, retirees and their beneficiaries. Since there typically exists an amount of insurance claims which are incurred in one fiscal year but reported in the next, an accrual of \$48.5 million has been included in the General Fund at June 30, 1994.

Next year the Commonwealth will implement GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues". Options for implementation are currently under review. It is likely that all risk financing activities will be accumulated in a single Internal Service Fund when implementing the new standard in FY95.

ECONOMIC AND FINANCIAL PROSPECTS

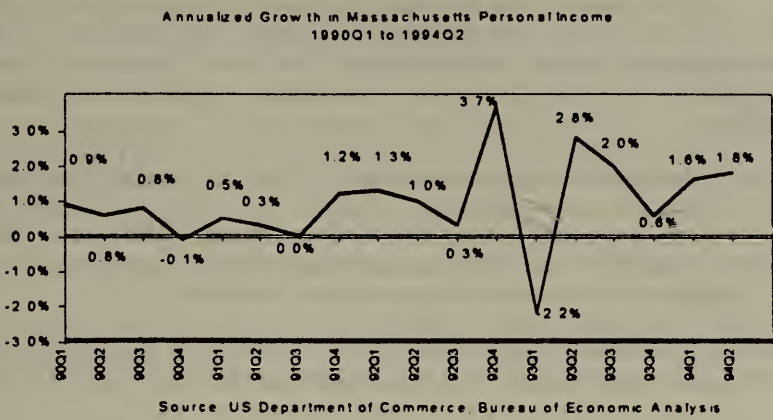
The 1995 national economic outlook, which is used to gauge the Commonwealth's economic performance, remains positive. The recent decisions for anti-inflationary measures by the Federal Reserve to raise interest rates may slow down growth in economic catalysts such as spending on consumer durables, housing starts and corporate investment. Even with this caveat, the outlook remains positive.

Economic analysis and forecasts in Massachusetts are produced by the Executive Office of Economic Affairs, the tax analysis bureau of the Department of Revenue, the Federal Reserve Bank, and various public research groups, such as the Massachusetts Taxpayers Foundation. While variations among such forecasts exist for 1995, there are several key points of commonality. Using such common points as a basis, the forecast for Real Gross Domestic Product (GDP) is projected at 2.8 percent. The forecast for growth in personal income, a proxy for the measurement of growth in wages, salaries, and personal investments, is 5.9 percent. The forecast for employment growth is 2.5 percent, and the forecast for unemployment is 6.0 percent.



The 1995 forecast for Massachusetts calls for continued economic growth, but more moderate than the pace set in 1994. Downsizing in defense and the loss in manufacturing jobs will continue to assert negative pressure on the Commonwealth's growing employment. The service sector continues to perform well and offsets losses experienced in other segments of the employment base.

Two key ways to measure a region's economic health are the rate of growth in personal income and employment. The forecast suggests that growth in personal income will continue in 1995. Retailers view this as good news for sales given that historically a rise in personal income results in an increase in consumer purchasing.



Projected growth in employment is yet another sign which supports the Commonwealth's positive economic outlook. In Massachusetts, employment rose by approximately 2.6 percent in 1994 and is expected to grow at 2.2 percent in 1995. The forecast for unemployment is 5.8 percent, or 0.2 percent below the national rate in 1995.



The Commonwealth's FY95 budget forecast released in November is consistent with the economic forecast presented above. Budgeted revenues and other sources, as estimated by the Executive Office for Administration and Finance, are currently projected at approximately \$16.36 billion. The estimate assumes tax revenues to be approximately \$11.23 billion, or six percent above FY94.

The Commonwealth total budgeted expenditures and other uses in FY95 are projected at \$16.48 billion. This estimate assumes the spending in the Commonwealth's seven major programs (i.e., Local Aid, Medicaid, Employee Health Insurance, Public Assistance, Debt Service, Pensions and Subsidies to Transit Authorities) which comprise of over 66 percent of budgetary spending, will increase by 8.1 percent over FY94.

The FY95 opening fund balance on a statutory basis is \$589.3 million. If the FY95 forecast is realized, the ending fund balance will be approximately \$463.3 million. It is noteworthy that, of the \$463.3 million, \$382.9 million is projected to be reserved in the Commonwealth's Stabilization Fund. In this forecast, the Commonwealth has continued a conservative approach. As in past years, ending fund balances may be higher due to this conservative approach to forecasting.

The Administration is currently engaged in an extensive mid-year review of this estimate. The Governor will release his recommended budget for FY96 in late January, at which time the FY95 forecast may be revised.

SIGNIFICANT ACCOMPLISHMENTS

In FY94, there were a number of significant public policy accomplishments and, on a more operational level, improvements that demonstrate accountability and financial management.

- The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Commonwealth for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 1993. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Commonwealth has received a Certificate of Achievement for the last four consecutive years (fiscal years ended 1990-1993). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

- A number of changes in state finance law and improvements to budgetary practice were accomplished in FY94. Additional attention and disclosure pertaining to revenue is now evident in the budget formulation process. A detailed disclosure of revenue estimates is now institutionalized in the annual General Appropriation Act.
- An ongoing effort to improve the financial accounting and reporting of the non-appropriated funds of public institutions of higher education was successful. Each institution now reports these funds on MMARS, the computerized state accounting system. Additionally, the University of Massachusetts,

Massasoit Community College and Bridgewater State College are commended for producing stand-alone, audited financial statements in conformity with GAAP.

- A large number of projects to enhance or re-engineer business processes with new technology have been performed. Such projects relate to an array of Commonwealth activities, including automation of welfare eligibility determination, management and of cases in the legal system, creating a new statewide client server infrastructure, and significant changes to the Commonwealth's administrative and fiscal systems.

Examples of projects from the domain of financial accounting include: major streamlining of the Commonwealth's cash deposit and non-tax revenue systems using bar code technology and lockboxes; automation of the previously manual functions to exchange cash with the federal government; re-engineering the Commonwealth disbursement practices to the model of electronic commerce, including electronic data interchange, electronic funds transfer, and electronic benefits transfer; implementation of a labor distribution function for cost accounting and control; and creating a data warehouse to make the wealth of data emanating from transaction processing systems accessible and available to knowledge workers via query systems controlled by desktop computers.

A coalition of several departments under the authority of the Governor and across the branches of government are collaborating in joint ventures to leverage resources in these projects. This approach is yielding significant results both in terms of shared functionality and interpretable systems, and increased purchasing power through joint procurements. Exciting partnerships with internal Commonwealth departments and private sector business partners have developed. Recently one of these projects, to improve the systems for non-tax revenue collections, received national recognition with the Espirit Award.

RECOMMENDATIONS AND CONCLUSIONS

The Office of the Comptroller has a unique perspective on state finance based on insights gained through control of day-to-day operations and experience with GAAP. With this background, we take this opportunity to make proposals intended to strengthen state finance.

- The Commonwealth should modify state finance law so that the budget development process is conducted in accordance with GAAP. For the past several years, the Commonwealth has been gradually modifying some of its budget practices to better conform with GAAP, but the time has come to implement full GAAP basis budgeting. This will promote the identification of important financial trends in a more accurate and timely manner. Other states have embarked on this course, and so should the Commonwealth.

The five major differences between GAAP and the Commonwealth's statutory basis were described earlier in this narrative. The Office of the Comptroller believes it is imperative to bring the issues, highlighted under GAAP, into the public policy debate on the budget. In order to accomplish a positive GAAP fund balance, it will be necessary to create a funding strategy to address the liabilities in such major programs as the Medicaid program and in the Commonwealth's support to the MBTA. Since the Medicaid program is extensively related to federal mandates, a total solution

may not be within the Commonwealth's reach. However, a phased approach, whereby the size of the liability is constrained or reduced through funding Medicaid reserve accounts is meritorious. The solution to the MBTA is totally within the Commonwealth's domain. Again, a multi-year phased approach of funding to eliminate the GAAP liability is recommended. It may take two or three years of positive economic growth and tough budget choices, but the goal of a positive GAAP fund balance is achievable.

- Regarding financial management, the Office of the Comptroller believes that continued Executive and Legislative attention should be directed to the budgeting and management of non-tax revenues. For years, expenditure planning and control has been emphasized, but this has not been matched by an emphasis on non-tax revenue management. As a result, the Commonwealth does not have sophisticated budgeting practices for non-tax revenue, and there are insufficient institutional practices for revenue planning, monitoring, and reporting. Current efforts and investments to modernize systems, policies and procedures must be continued. The Commonwealth should also examine incentives for revenue management and enhance efforts for revenue optimization.
- Consistent with the prior recommendations, the Office of the Comptroller believes the Commonwealth's current fund structure should be streamlined. The proliferation of budgeted Special Revenue Funds has fractured, not strengthened, the budget process. As special interest groups have enjoyed political success in carving out dedicated revenues and removing operations from the General budget, the capacity for centralized planning and control has diminished. The numerous non-budgeted Special Revenue Funds and Capital Projects Funds further complicate efforts to obtain a comprehensive view of state finance.

Legislation should be enacted to simplify the fund structure, and reduce the number of funds to a more manageable number. The current practices of "fund splitting" appropriations and interfund transfers should be eliminated. Also, the definition of a balanced budget, and the terms and conditions for deposits into the Stabilization Fund should be simplified. This would result in a more coherent and understandable picture of the Commonwealth's Governmental Funds financial activity.

- The Commonwealth has a tremendous opportunity to employ new technologies to improve its programmatic, financial, and administrative operations. In FY93 the Governor proposed and the Legislature enacted the Information Technology Capital Outlay Appropriation Act. The opportunity exists to re-engineer old business practices and engage new client service technology. An unprecedented interdepartmental coalition under the leadership of the Commonwealth's Chief Information Technology Officer creates an exciting opportunity to make strategic investments that will position the Commonwealth successfully into the next century. Also, the Governor has proposed a second Information Technology Capital Outlay which is currently under consideration by the Legislature. The Commonwealth must maximize these opportunities.

In conclusion, this report represents the continued commitment of the Office of the Comptroller to promote quality in the Commonwealth's financial management. I express my sincere appreciation to the dedicated professionals in the Comptroller's Office, other state departments, and other organizations whose efforts are reflected in this report. In addition, the work of the several project teams to implement the Information Technology projects mentioned above is especially noteworthy. You are launched on projects that will create enduring value not only to Massachusetts, but to states and other governments throughout the nation. You exemplify the cutting edge of innovation and the citizens of the Commonwealth are well served by professionals of your caliber.

The Office of the Comptroller transmits the Comprehensive Annual Financial Report for FY94 in accordance with Section 12 of Chapter 7A of the General Laws.

Respectfully transmitted,

William Kilmartin

William Kilmartin
Comptroller

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

Commonwealth of
Massachusetts

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1993

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

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COMMONWEALTH OF MASSACHUSETTS
FISCAL YEAR ENDED JUNE 30, 1994



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Financial Section

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**Deloitte &
Touche LLP**125 Summer Street
Boston, Massachusetts 02110-1617Telephone (617) 261-8000
Facsimile (617) 261-8111**Independent Auditors' Report****Mr. William Kilmartin, Comptroller
The Commonwealth of Massachusetts**

We have audited the accompanying general purpose financial statements of the Commonwealth of Massachusetts as of June 30, 1994, and for the year then ended. These general purpose financial statements are the responsibility of the management of the Commonwealth of Massachusetts. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the University of Massachusetts, Massasoit Community College, Bridgewater State College, and the State College Building Authority, which statements reflect 74 percent of the total assets and 76 percent of the revenues of the University and College Fund Type. We did not audit the financial statements of the Pension Reserves Investment Trust which is an investment vehicle for certain of the Commonwealth of Massachusetts' Pension Trust Funds, the financial statements which reflect 26 percent of the total assets and 8 percent of the revenues of the Fiduciary Fund Type. Except for the Massachusetts Convention Center Authority, which represents 4 and 3 percent of assets and revenues respectively, we did not audit the financial statements of the entities which comprise the Component Units Column. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the University and College Fund Type, Fiduciary Fund Type and the discretely presented Component Units referred to above, is based solely on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based upon our audit and the reports of the other auditors, such general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Commonwealth of Massachusetts as of June 30, 1994, and the results of its operations and cash flows of its Nonexpendable Trust Fund and discretely presented Component Units for the year then ended in conformity with generally accepted accounting principles.

As discussed in note 15, the Commonwealth adopted Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity."

**Deloitte Touche
Tohmatsu
International**

As discussed in Note 1, the Fiduciary Fund Type includes investments representing 5.7 percent of the assets of the Fiduciary Fund Types, whose values have been estimated by management in the absence of readily ascertainable market values. The procedures used by management in arriving at the estimated value of such investments and the underlying documentation have been reviewed and inspected by us and by the other auditors' and, in the circumstances, we believe and the other auditors' report states their belief, that the procedures of management are reasonable and the documentation appropriate. However, determination of the value of these investments involves subjective judgment because the actual market value can be determined only by negotiation between the parties in a sales transaction. The estimated values of the investments may differ from the values that would have been used had a ready market existed for the investments.

As discussed in Note 1, the discretely presented Component Units include investments representing 1 percent of their total assets, whose values have been estimated by management in the absence of readily ascertainable market values. The procedures used by management in arriving at the estimated value of such investments and the underlying documentation have been reviewed and inspected by other auditors' and, the other auditors' report states their belief, that the procedures of management are reasonable and the documentation appropriate. However, determination of the value of these investments involves subjective judgment because the actual market value can be determined only by negotiation between the parties in a sales transaction. The estimated values of the investments may differ from the values that would have been used had a ready market existed for the investments.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements, schedules and required supplementary information, as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of the Commonwealth of Massachusetts. These financial statements, schedules and supplementary information are the responsibility of the management of the Commonwealth of Massachusetts. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, based on our audit and the reports of other auditors, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

We did not audit the data included in the introductory and statistical sections of this report and, accordingly, we express no opinion on such data.

Deloitte & Touche LLP

December 21, 1994



General Purpose Financial Statements

COMMONWEALTH OF MASSACHUSETTS
 COMBINED BALANCE SHEET - ALL FUND TYPES, ACCOUNT GROUPS AND
 DISCRETELY PRESENTED COMPONENT UNITS
 JUNE 30, 1994
 (Amounts in thousands)

	Primary			
	Governmental Fund Types			Fiduciary Fund Types
	General	Special Revenue	Capital Projects	Trust and Agency
ASSETS AND OTHER DEBITS				
Cash and short-term investments	\$ 33,975	\$ 1,023,832	\$ 2,636	\$ 1,749,344
Cash with fiscal agent	786	4,328		
Deposits				33,001
Investments				11,613,208
Restricted investments			83,319	
Investments of deferred compensation plan				945,401
Annuity contracts				1,045,084
Assets held in trust				1,550,917
Receivables, net of allowance for uncollectibles:				
Taxes	612,921	432,216		319,802
Due from federal government	580,130	145,162	155,301	655
Loans				7,420
Other receivables	179,002	95,396	1,271	1,642,070
Due from cities and towns	213,331	1,177		
Due from primary government				
Due from other funds	9,897	149,972	20,632	2,487
Inventory				
Fixed assets				
Other assets				
Amounts available for retirement of general long-term obligations				
Amounts to be provided for retirement of general long-term obligations				
Total assets and other debits	\$ 1,630,042	\$ 1,852,083	\$ 263,159	\$ 18,909,389
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$ 1,239,818	\$ 362,597	\$ 305,902	\$ 1,832,981
Accrued payroll	62,098	18,831	1,980	368
Compensated absences	90,493	52,601	3,799	200
Tax refunds and abatements payable	335,988	216,813		8,475
Due to cities and towns				11,937
Due to other funds			170,604	6,164
Due to component unit	326,228	100,763	18,180	
Due to federal government	30,780	2,100		
Deferred revenue	95,382	70,912	880	29,844
Prizes payable				1,045,084

Government					Component Units
University and College Fund Type	Account Groups		Totals (Memorandum Only)		
University and Colleges	General Fixed Assets	General Long-term Obligations	1994	1993 (As restated)	Component Units
\$ 87,949	\$ 0	\$ 0	\$ 2,897,736	\$ 2,565,086	\$ 272,708
55,268			60,382	3,797	
			33,001	49,506	
255,295			11,868,503	11,347,123	173,830
			83,319		59,380
			945,401	895,768	
			1,045,084	975,442	
			1,550,917	1,518,389	
			1,364,939	1,457,317	
9,378			890,626	778,786	105,588
44,471			51,891	51,697	426,780
130,334			2,048,073	1,729,849	41,869
			214,508	205,166	376
					445,171
28,459			211,447	413,105	
13,572			13,572	13,633	39,418
2,058,075	3,066,682		5,124,757	5,034,261	4,823,218
9,921			9,921	9,625	139,078
		87,647	87,647	3,797	
		14,558,611	14,558,611	14,027,470	
<u>\$ 2,692,722</u>	<u>\$ 3,066,682</u>	<u>\$ 14,646,258</u>	<u>\$ 43,060,335</u>	<u>\$ 41,079,817</u>	<u>\$ 6,527,416</u>
\$ 45,369	\$ 0	\$ 0	\$ 3,786,667	\$ 3,188,696	\$ 89,257
54,078			137,355	134,580	42,744
91,348		81,823	320,264	321,064	296
			561,276	534,160	
			11,937	12,710	475
34,679			211,447	413,105	
			445,171	373,885	
			32,880	282,429	1,045
6,016			203,034	236,862	55,351
			1,045,084	975,442	

(Continued)

COMMONWEALTH OF MASSACHUSETTS
COMBINED BALANCE SHEET - ALL FUND TYPES, ACCOUNT GROUPS AND
DISCRETELY PRESENTED COMPONENT UNITS

JUNE 30, 1994

(Amounts in thousands)

	Primary			
	Governmental Fund Types			Fiduciary Fund Types
	General	Special Revenue	Capital Projects	Trust and Agency
Liabilities (continued).				
Deferred compensation benefits payable	\$ 0	\$ 0	\$ 0	\$ 945,401
Agency liabilities				3,010,656
Claims and judgments	132,937	23,714	3,715	167
Deposits and unearned revenue				
Other accrued liabilities		62,791		27,116
Capital leases				
Bonds, notes payable and certificates of participation	240,000		49,062	
School construction grants				
Unfunded pension costs				
Total liabilities	2,553,724	911,122	554,122	6,918,393
Fund equity and other credits:				
Investment in general fixed assets				
Contributed capital				
Retained earnings:				
Reserved for investment programs				
Unreserved				
Fund balances (deficit):				
Reserved for pension benefits				11,563,156
Reserved for unemployment benefits				296,676
Reserved for claims and judgements			83,319	
Restricted				
Unexpended plant funds				
Renewals and replacements				
Retirement of indebtedness		4,328		
Net investment in plant				
Reserved for specific purpose				5,840
Unreserved	(923,682)	936,633	(374,282)	125,324
Total fund equity (deficit) and other credits	(923,682)	940,961	(290,963)	11,990,996
Total liabilities, fund equity and other credits	\$ 1,630,042	\$ 1,852,083	\$ 263,159	\$ 18,909,389

See notes to general purpose financial statements.

Government					Component Units
University and College Fund Type	Account Groups		Totals (Memorandum Only)		
University and Colleges	General Fixed Assets	General Long-term Obligations	1994	1993	Component Units
\$ 0	\$ 0	\$ 0	\$ 945,401	\$ 895,768	\$ 0
6,819			3,017,475	2,892,422	
71,981		435,595	668,109	694,098	1,224
6,997			6,997	5,776	
60,008			149,915	124,313	195,172
19,558		50,954	70,512	46,016	38
260,933		9,427,745	9,977,740	9,860,099	3,144,173
		2,070,709	2,070,709	1,926,082	
		2,579,432	2,579,432	2,362,254	
657,786		14,646,258	26,241,405	25,279,761	3,529,775
	3,066,682		3,066,682	3,012,230	3,050,729
					51,847 (104,935)
			11,563,156	11,121,148	
			296,676		
			83,319		
102,153			102,153	83,907	
25,779			25,779	27,868	
15,677			15,677	15,647	
21,528			25,856	23,148	
1,779,441			1,779,441	1,734,458	
			5,840	5,842	
90,358			(145,649)	(224,192)	
2,034,936	3,066,682		16,818,930	15,800,056	2,997,641
\$ 2,692,722	\$ 3,066,682	\$ 14,646,258	\$ 43,060,335	\$ 41,079,817	\$ 6,527,416

COMMONWEALTH OF MASSACHUSETTS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
 FISCAL YEAR ENDED JUNE 30, 1994
 (Amounts in thousands)

	Primary		
	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Revenues:			
Taxes	\$ 6,550,346	\$ 4,061,025	\$ 0
Assessments	207,933	336,576	
Federal grants and reimbursements	2,908,959	1,255,412	944,738
Departmental	502,139	3,241,766	629
Miscellaneous	174,040	78,667	2,033
Total revenues	10,343,417	8,973,446	947,400
Other financing sources:			
Proceeds of general obligation bonds			690,206
Proceeds of refunding bonds			835,796
Proceeds of capital leases	33,550		
Operating transfers in	350,455	863,831	152,542
Other			35,371
Total other financing sources	384,005	863,831	1,713,915
Total revenues and other financing sources	10,727,422	9,837,277	2,661,315
Expenditures:			
Current:			
Legislature	43,096		
Judiciary	62,863	275,618	
Inspector General	1,394		
Governor and Lieutenant Governor	4,330		
Secretary of the Commonwealth	9,082	2,597	
Treasurer and Receiver-General	95,968	1,956,433	
Auditor of the Commonwealth	10,253	733	
Attorney General	35,671	2,496	
Ethics Commission	512	563	
District Attorney	8,035	39,304	
Office of Campaign and Political Finance	302	334	
Disabled Persons Protection Commission	1,514		
Board of Library Commissioners		5,411	
Comptroller	6,369		
Administration and finance	689,556	173,863	
Environmental affairs	23,084	146,198	
Communities and development	109,715	248,030	
Health and human services	3,291,038	1,034,452	
Transportation and construction	51,194	68,958	
Education	488	457,391	
Educational affairs	1,956	1,155	

Government		
Fiduciary Fund Type	Totals (Memorandum Only)	
Expendable Trust	1994	1993 (As restated)
\$ 1,125,539	\$ 11,736,910	\$ 11,093,768
1,207	545,716	599,415
257,551	5,366,660	5,130,180
3,528	3,748,062	3,392,308
60,191	314,931	445,958
1,448,016	21,712,279	20,661,629
	690,206	368,367
	835,796	1,891,468
	33,550	13,297
5,863	1,372,691	1,179,928
138	35,509	46,382
6,001	2,967,752	3,499,442
1,454,017	24,680,031	24,161,071
	43,096	40,798
3,689	342,170	307,781
	1,394	1,304
	4,330	3,680
4	11,683	14,111
19	2,052,420	1,659,490
167	11,153	10,458
1,124	39,291	37,061
	1,075	1,003
3,609	50,948	47,143
	636	539
	1,514	
	5,411	4,620
	6,369	5,546
1,325	864,744	683,459
4,716	173,998	167,293
433	358,178	364,781
20,283	4,345,773	4,085,252
829	120,981	274,270
1,296	459,175	469,886
	3,111	9,602
(Continued)		

COMMONWEALTH OF MASSACHUSETTS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
 FISCAL YEAR ENDED JUNE 30, 1994
 (Amounts in thousands)

	Primary		
	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Expenditures (continued):			
Current (continued):			
Higher education	\$ 65,402	\$ 1,898	\$ 0
Public safety	330,119	365,305	
Economic affairs	16,903	195,977	
Elder affairs	125,587	29,839	
Consumer affairs	25,845	6,502	
Labor	20,898	2,208	
Direct local aid		2,727,313	
Medicaid	3,176,777	39,350	
Capital outlay:			
Local aid			100,105
Capital acquisition and construction			1,463,602
Pension	233,777	596,415	
Debt service:			
Principal retirement	513,278	118,016	
Interest and fiscal charges	352,575	167,290	
Total expenditures	9,307,581	8,663,649	1,563,707
Other financing uses:			
Payments to refunded bond escrow agent			835,796
Operating transfers out	6,923	1,122,183	169,965
Transfers of appropriations	632,609	2,302	
Transfers of bond proceeds			15,324
Transfers to component units	582,453	116,751	2,195
Other uses			
Total other financing uses	1,221,985	1,241,236	1,023,280
Total expenditures and other other financing uses	10,529,566	9,904,885	2,586,987
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	197,856	(67,608)	74,328
Fund balances (deficits) at beginning of year	(1,121,538)	1,008,569	(365,291)
Fund balances (deficits) at end of year	\$ (923,682)	\$ 940,961	\$ (290,963)

See notes to general purpose financial statements.

Government		
Fiduciary Fund Type	Totals (Memorandum Only)	
Expendable Trust	1994	1993 (As restated)
\$ 79	\$ 67,379	\$ 69,459
3,728	699,152	613,082
1,082,791	1,295,671	1,708,096
60	155,486	149,717
3,538	35,885	32,322
28,249	51,355	48,658
	2,727,313	2,546,501
	3,216,127	3,151,361
	100,105	104,876
	1,463,602	1,132,549
	830,192	893,438
	631,294	592,493
	519,865	550,174
1,155,939	20,690,876	19,780,803
	835,796	1,891,468
4,776	1,303,847	1,724,479
	634,911	618,817
	15,324	24,796
	701,399	257
4,776	3,491,277	4,259,817
1,160,715	24,182,153	24,040,620
293,302	497,878	120,451
128,698	(349,562)	(470,013)
\$ 422,000	\$ 148,316	\$ (349,562)

COMMONWEALTH OF MASSACHUSETTS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - STATUTORY BASIS - BUDGET AND ACTUAL -
 GENERAL AND BUDGETED SPECIAL REVENUE FUNDS
 FISCAL YEAR ENDED JUNE 30, 1994
 (Amounts in thousands)

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Taxes	\$ 6,179,800	\$ 6,297,759	\$ 117,959
Assessments		191,796	191,796
Federal grants and reimbursements	2,913,900	2,892,189	(21,711)
Departmental	819,225	525,006	(294,219)
Miscellaneous		175,259	175,259
Total revenues	9,912,925	10,082,009	169,084
Other financing sources:			
Fringe benefit cost recovery		189,156	189,156
Operating transfers in	160,675	192,840	32,165
Stabilization transfer			
Other sources	5,000		(5,000)
Total other financing sources	165,675	381,996	216,321
Total revenues and other financing sources	10,078,600	10,464,005	385,405
Expenditures:			
Legislature	59,235	42,853	16,382
Judiciary	69,098	68,128	970
Inspector General	1,281	1,271	10
Governor and Lieutenant Governor	4,996	4,292	704
Secretary of the Commonwealth	9,272	9,081	191
Treasurer and Receiver-General	105,386	101,789	3,597
Auditor of the Commonwealth	10,174	10,167	7
Attorney General	19,936	19,720	216
Ethics Commission	527	527	
District Attorney	8,134	8,071	63
Office of Campaign and Political Finance	314	311	3
Disabled Persons Protection Committee	1,328	1,325	3
Board of Library Commissioners			
Comptroller	5,882	5,865	17
Administration and finance	749,459	693,700	55,759
Environmental affairs	25,003	23,118	1,885
Communities and development	120,075	113,233	6,842

Budgeted Special Revenue Funds			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 4,380,200	\$ 4,308,922	\$ (71,278)	\$ 10,560,000	\$ 10,606,681	\$ 46,681
	21,688	21,688		213,484	213,484
8,600	9,042	442	2,922,500	2,901,231	(21,269)
447,100	465,676	18,576	1,266,325	990,682	(275,643)
	45,808	45,808		221,067	221,067
4,835,900	4,851,136	15,236	14,748,825	14,933,145	184,320
				189,156	189,156
542,000	598,657	56,657	702,675	791,497	88,822
	65,423	65,423		65,423	65,423
			5,000		(5,000)
542,000	664,080	122,080	707,675	1,046,076	338,401
5,377,900	5,515,216	137,316	15,456,500	15,979,221	522,721
			59,235	42,853	16,382
275,403	271,835	3,568	344,501	339,963	4,538
			1,281	1,271	10
			4,996	4,292	704
2,121	1,891	230	11,393	10,972	421
21,928	20,250	1,678	127,314	122,039	5,275
733	733		10,907	10,900	7
800	785	15	20,736	20,505	231
537	537		1,064	1,064	
38,088	37,783	305	46,222	45,854	368
320	317	3	634	628	6
			1,328	1,325	3
2,304	2,300	4	2,304	2,300	4
525	525		6,407	6,390	17
245,801	229,151	16,650	995,260	922,851	72,409
132,805	123,658	9,147	157,808	146,776	11,032
25,749	24,895	854	145,824	138,128	7,696

(Continued)

COMMONWEALTH OF MASSACHUSETTS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - STATUTORY BASIS - BUDGET AND ACTUAL -
 GENERAL AND BUDGETED SPECIAL REVENUE FUNDS
 FISCAL YEAR ENDED JUNE 30, 1994
 (Amounts in thousands)

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
Expenditures (continued):			
Health and human services	\$ 3,368,359	\$ 3,270,133	\$ 98,226
Transportation and construction	621,447	619,168	2,279
Education	147	145	2
Educational affairs	2,024	1,943	81
Higher education	674,480	670,148	4,332
Public safety	319,456	313,986	5,470
Economic affairs	15,580	14,588	992
Elder affairs	127,044	125,573	1,471
Consumer affairs	27,548	25,852	1,696
Labor	22,303	20,977	1,326
Direct local aid			
Medicaid	3,290,149	3,273,777	16,372
Pension	328,447	313,264	15,183
Debt service:			
Principal retirement	327,453	308,323	19,130
Interest and fiscal charges	312,186	288,908	23,278
Total expenditures	10,626,723	10,350,236	276,487
Other financing uses:			
Fringe benefit cost assessment			
Operating transfers out	4,822	4,822	
Stabilization transfer		39,254	(39,254)
Total other financing uses	4,822	44,076	(39,254)
Total expenditures and other financing uses	10,631,545	10,394,312	237,233
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(552,945)	69,693	622,638
Fund balances (deficits) at beginning of year	(701,596)	(701,596)	
Fund balances (deficits) at end of year	\$ (1,254,541)	\$ (631,903)	\$ 622,638

See notes to general purpose financial statements.

Budgeted Special Revenue Funds			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 148,274	\$ 124,664	\$ 23,610	\$ 3,516,633	\$ 3,394,797	\$ 121,836
145,988	141,458	4,530	767,435	760,626	6,809
104,894	95,757	9,137	105,041	95,902	9,139
655	608	47	2,679	2,551	128
2,610	2,398	212	677,090	672,546	4,544
354,904	342,926	11,978	674,360	656,912	17,448
16,277	15,279	998	31,857	29,867	1,990
5,187	4,340	847	132,231	129,913	2,318
5,945	5,016	929	33,493	30,868	2,625
			22,303	20,977	1,326
2,739,827	2,727,313	12,514	2,739,827	2,727,313	12,514
39,350	39,350		3,329,499	3,313,127	16,372
623,449	595,684	27,765	951,896	908,948	42,948
347,569	322,183	25,386	675,022	630,506	44,516
236,293	229,967	6,326	548,479	518,875	29,604
5,518,336	5,361,603	156,733	16,145,059	15,711,839	433,220
	46,436	(46,436)		46,436	(46,436)
122,662	123,940	(1,278)	127,484	128,762	(1,278)
	26,169	(26,169)		65,423	(65,423)
122,662	196,545	(73,883)	127,484	240,621	(113,137)
5,640,998	5,558,148	82,850	16,272,543	15,952,460	320,083
(263,098)	(42,932)	220,166	(816,043)	26,761	842,804
1,264,169	1,264,169		562,573	562,573	
\$ 1,001,071	\$ 1,221,237	\$ 220,166	\$ (253,470)	\$ 589,334	\$ 842,804

COMMONWEALTH OF MASSACHUSETTS
 COMBINED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN RETAINED EARNINGS/FUND BALANCES AND CHANGES IN CONTRIBUTED CAPITAL -
 NONEXPENDABLE AND PENSION TRUST FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
 FISCAL YEAR ENDED JUNE 30, 1994
 (Amounts in thousands)

	Primary	
	Fiduciary Fund Types	
	Nonexpendable Trust Funds	Pension Trust Funds
Operating revenues:		
Contributions	\$ 0	\$ 1,130,868
Investment income		245,446
Charges for services		
Donations		
Other		
Total operating revenues		1,376,314
Operating expenses:		
Cost of services and administration		3,677
Retirement benefits and refunds		930,630
Depreciation		
Total operating expenses		934,307
Operating income (loss)		442,007
Nonoperating revenues (expenses):		
Operating grants		
Interest income		
Other revenues		
Interest expense		
Other expenses		
Nonoperating revenues (expenses), net		
Income (loss) before operating transfers		442,007
Transfers:		
Transfers in from primary government		
Operating transfers out	(2)	
Total transfers	(2)	
Net income (loss)	(2)	442,007

Government		Component Units
Totals (Memorandum Only)		
1994	1993	Component Units
\$ 1,130,868	\$ 1,072,789	\$ 0
245,446	1,301,368	245,690
		670
		1,989
1,376,314	2,374,157	248,349
3,677	3,276	789,561
930,630	898,399	177,095
934,307	901,675	966,656
442,007	1,472,482	(718,307)
		59,998
		29,780
		4,786
		(144,854)
		(26,029)
		(76,319)
442,007	1,472,482	(794,626)
		701,399
(2)		701,399
(2)		(93,227)
442,005	1,472,482	

(Continued)

COMMONWEALTH OF MASSACHUSETTS
 COMBINED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN RETAINED EARNINGS/FUND BALANCES AND CHANGES IN CONTRIBUTED CAPITAL -
 NONEXPENDABLE AND PENSION TRUST FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
 FISCAL YEAR ENDED JUNE 30, 1994
 (Amounts in thousands)

	Primary	
	Fiduciary Fund Types	
	Nonexpendable Trust Funds	Pension Trust Funds
Add: Depreciation of fixed assets acquired from contributed capital	\$ 0	\$ 0
Increase (decrease) in retained earnings/fund balances	(2)	442,007
Retained earnings/fund balances at beginning of year	5,842	11,121,149
Retained earnings/fund balances at end of year	\$ 5,840	\$ 11,563,156
Contributed capital at beginning of year		
Add: Capital contributions		
Less: Depreciation of fixed assets acquired from contributed capital		
Contributed capital at end of year		

Government		Component Units
Totals (Memorandum Only)		
1994	1993	Component Units
\$ 0	\$ 0	\$ 94,534
442,005	1,472,482	1,307
11,126,991	9,654,509	(54,395)
\$ 11,568,996	\$ 11,126,991	\$ (53,088)
		\$ 2,941,413
		203,850
		(94,534)
		\$ 3,050,729

COMMONWEALTH OF MASSACHUSETTS
 COMBINED STATEMENT OF CASH FLOWS -
 NONEXPENDABLE TRUST FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
 FISCAL YEAR ENDED JUNE 30, 1994

(Amounts in thousands)

	Primary Government	Component Units
	Fiduciary Fund Type	
	Nonexpendable Trust Funds	Component Units
Cash flows from operating activities:		
Operating income (loss)	\$ 0	\$ (718,307)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:		
Depreciation		177,095
Other nonoperating revenues		4,786
Other nonoperating expenses		(26,029)
Change in assets and liabilities:		
Due from federal government		52,595
Loans		(225,277)
Other receivables		(13,846)
Due from cities and towns		(55)
Due from primary government		(12,104)
Inventory		1,075
Restricted and other assets		(15,853)
Accounts payable	60	30,270
Accrued payroll		9,365
Compensated absences		92
Deferred revenue		9,858
Claims and judgements		3
Other accrued liabilities		14,210
Due to cities and towns		(80)
Total adjustments	60	6,105
Net cash provided by (used for) operating activities	60	(712,202)
Cash flows from noncapital financing activities:		
Operating grants		59,998
Operating transfers	(2)	701,399
Net cash provided by (used for) noncapital financing activities	(2)	761,397

(Continued)

COMMONWEALTH OF MASSACHUSETTS
COMBINED STATEMENT OF CASH FLOWS -
NONEXPENDABLE TRUST FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
FISCAL YEAR ENDED JUNE 30, 1994
(Amounts in thousands)

	Primary Government	Component Units
	Fiduciary Fund Type	
	Nonexpendable Trust Funds	Component Units
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	\$ 0	\$ (279,249)
Proceeds from the issuance of bonds and notes		1,375,198
Interest on bonds and notes		(144,854)
Capital contributions		203,850
Principal payments on bonds and notes		(1,064,692)
Proceeds from sale of equipment		1,191
Net cash provided by (used for) capital and related financing activities		91,444
Cash flows from investing activities:		
Purchases of investments		(1,478,223)
Sales and maturities of investments		1,360,957
Interest income		29,780
Net cash provided by (used for) investing activities	0	(87,486)
Net increase (decrease) in cash and cash equivalents	58	53,153
Cash and cash equivalents at beginning of year	5,782	219,555
Cash and cash equivalents at end of year	\$ 5,840	\$ 272,708
Reconciliation:		
Cash and cash equivalents at end of year	\$ 5,840	\$ 272,708
Cash and cash equivalents at end of year, Pension Trust, Expendable Trust and Agency	1,807,517	
Cash and cash equivalents per the Combined Balance Sheet	\$ 1,813,357	\$ 272,708

See notes to the general purpose financial statements.

COMMONWEALTH OF MASSACHUSETTS
 COMBINED STATEMENT OF CHANGES IN FUND BALANCES -
 UNIVERSITY AND COLLEGE FUND TYPE
 FISCAL YEAR ENDED JUNE 30, 1994
 (Amounts in thousands)

	Current Funds		Loan Fund	Endowment and Similar Funds
	Unrestricted	Restricted		
Revenues and other additions:				
Unrestricted current funds revenues	\$ 1,083,311	\$ 0	\$ 0	\$ 0
Federal appropriations		7,526	228	
Federal grants and contracts		176,127	1,627	
State grants and contracts		23,182	76	
Local grants and contracts		2,278		
Private gifts, grants and contracts		64,050	13	1,272
Investment income		72	35	4
Endowment Income		530		82
Net realized gain (loss) on investments				2,754
Interest on loans receivable			814	
Reimbursed loan cancellations			1,348	
Other income		348	422	
Expended for plant facilities				
Retirement of indebtedness				
Other additions		72	468	
Total revenue and other additions	1,083,311	274,185	5,031	4,112
Expenditures and other deductions:				
Educational and general expenditures	1,119,339	262,854		
Auxiliary enterprises expenditures	171,118			
Indirect costs recovered		32,055		
Hospital expenditures	225,006			
Group practice plan expenditures	111,400			
Refunded to grantors and donors		313		
Loan cancellations and write-offs			700	
Administrative and collection costs			2,668	561
Retirement of indebtedness				
Interest on indebtedness				
Expended for plant facilities				
Depreciation and amortization				
Disposal of plant facilities				
Other deductions				
Total expenditures and other deductions	1,626,863	295,222	3,368	561

Plant Funds	Totals	
	1994	1993
\$ 0	\$ 1,083,311	\$ 975,642
	7,754	7,277
329	178,083	177,910
13,649	36,907	6,656
	2,278	2,481
1,653	66,988	61,898
2,533	2,644	2,472
	612	416
	2,754	618
	814	813
	1,348	27
192	962	523
50,042	50,042	71,887
13,330	13,330	12,219
1,124	1,664	8,329
<u>82,852</u>	<u>1,449,491</u>	<u>1,329,168</u>
	1,382,193	1,302,053
	171,118	124,027
	32,055	32,669
	225,006	218,583
	111,400	99,603
	313	237
	700	1,165
1,586	4,815	2,821
23,171	23,171	12,219
11,609	11,609	19,936
13,330	13,330	41,268
20,003	20,003	11,539
10,140	10,140	11,538
556	556	3,602
<u>80,395</u>	<u>2,006,409</u>	<u>1,881,260</u>

(Continued)

COMMONWEALTH OF MASSACHUSETTS
 COMBINED STATEMENT OF CHANGES IN FUND BALANCES -
 UNIVERSITY AND COLLEGE FUND TYPE
 FISCAL YEAR ENDED JUNE 30, 1994
(Amounts in thousands)

	Current Funds		Loan Fund	Endowment and Similar Funds
	Unrestricted	Restricted		
Mandatory transfers:				
Principal and interest	\$ (27,506)	\$ 0	\$ 0	\$ 0
Renewals and replacements	(517)			
Student loan fund matching	(435)	320	115	
Other mandatory transfers	(68,822)			
Nonmandatory transfers:				
Transfers of appropriation	606,969	27,652	9	
Transfers of bond proceeds		14,723		
Unexpended plant funds	(11,324)			
Renewals and replacements	(6,410)	(8,089)		
Other nonmandatory transfers	(15,455)	(2,133)	(507)	30,159
Total transfers	476,500	32,473	(383)	30,159
Net increase (decrease) for the year	(67,052)	11,436	1,280	33,710
Fund balances at the beginning of year	122,977	21,781	47,403	20,976
Fund balances at end of year	\$ 55,925	\$ 33,217	\$ 48,683	\$ 54,686

See notes to general purpose financial statements.

Plant Funds	Totals	
	1994	1993
\$ 27,506	\$ 0	\$ 0
517		
(20)	(68,842)	(72,695)
281	634,911	618,817
601	15,324	24,796
11,324		
14,499		
(12,064)		
42,644	581,393	570,918
45,101	24,475	18,826
1,797,324	2,010,461	1,991,635
\$ 1,842,425	\$ 2,034,936	\$ 2,010,461

COMMONWEALTH OF MASSACHUSETTS
 COMBINED STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES -
 UNIVERSITY AND COLLEGE FUND TYPE
 FISCAL YEAR ENDED JUNE 30, 1994
(Amounts in thousands)

	Current Funds		Totals	
	Unrestricted	Restricted	1994	1993
Revenues and other additions:				
Tuition and fees	\$ 489,110	\$ 0	\$ 489,110	\$ 379,069
Federal appropriations		7,411	7,411	7,158
Federal grants and contracts	16	138,951	138,967	154,461
State grants and contracts	887	19,717	20,604	5,972
Local grants and contracts	32	1,979	2,011	2,247
Private gifts, grants and contracts	2,910	51,315	54,225	82,059
Endowment income	170	652	822	204
Sales and service, educational	9,351		9,351	10,333
Sales and service, auxiliary enterprises	176,536		176,536	121,366
Sales and service, hospital	229,763		229,763	225,165
Sales and service, group practice plan	110,732		110,732	84,517
Recovery of indirect costs	32,055		32,055	32,669
Other investment income	14,411	82	14,493	16,401
Other	17,338	371	17,709	68,354
Total current funds revenues	1,083,311	220,478	1,303,789	1,189,975
Expenditures:				
Instruction	540,228	29,102	569,330	521,977
Research	37,377	85,076	122,453	125,053
Public service	37,433	31,234	68,667	42,876
Academic support	100,729	20,830	121,559	114,340
Student services	73,080	3,846	76,926	95,512
Institutional support	166,353	3,499	169,852	145,761
Operation and maintenance of plant	126,365	11,409	137,774	138,854
Scholarships and fellowships	37,774	77,858	115,632	119,680
Auxiliary enterprises	171,118		171,118	124,027
Hospital	225,006		225,006	218,583
Group practice plan	111,400		111,400	99,603
Total current funds expenditures	1,626,863	262,854	1,889,717	1,746,266

COMMONWEALTH OF MASSACHUSETTS
COMBINED STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES -
UNIVERSITY AND COLLEGE FUND TYPE
FISCAL YEAR ENDED JUNE 30, 1994
(Amounts in thousands)

	Current Funds		Totals	
	Unrestricted	Restricted	1994	1993
Transfers and other changes:				
Mandatory transfers:				
Principal and interest	\$ (27,506)	\$ 0	\$ (27,506)	\$ (32,896)
Renewals and replacements	(517)		(517)	(1,381)
Student loan fund matching	(435)	320	(115)	(397)
Other	(68,822)		(68,822)	(72,695)
Transfers of appropriation	606,969	27,652	634,621	615,633
Transfers of bond proceeds		14,723	14,723	8,716
Unexpended plant funds	(11,324)		(11,324)	(3,800)
Renewals and replacements	(6,410)	(8,089)	(14,499)	(8,211)
Other nonmandatory transfers	(15,455)	(2,133)	(17,588)	(953)
Refunds to grantors		(313)	(313)	(222)
Excess of restricted receipts over transfers to revenue		21,652	21,652	247
Total transfers and other changes	476,500	53,812	530,312	504,041
Total increase (decrease) in fund balances	\$ (67,052)	\$ 11,436	\$ (55,616)	\$ (52,250)

See notes to general purpose financial statements.

COMMONWEALTH OF MASSACHUSETTS
 COMBINING BALANCE SHEET -
 DISCRETELY PRESENTED COMPONENT UNITS
 JUNE 30, 1994
 (Amounts in thousands)

	Massachusetts Bay Transportation Authority	Regional Transit Authorities	Water Pollution Abatement Trust
ASSETS			
Cash and short-term investments	\$ 42,164	\$ 12,436	\$ 155,554
Investments		197	127,250
Restricted investments	17,791		
Receivables, net of allowance for uncollectibles:			
Due from federal government	7,500	3,546	82,542
Loans			352,315
Other receivables	28,158	4,497	7,701
Due from cities and towns			
Due from primary government	361,020	54,833	16,378
Inventory	39,083	302	
Fixed assets	4,502,170	94,496	571
Other assets	132,054	3,260	436
Total assets	\$ 5,129,940	\$ 173,567	\$ 742,747
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	\$ 54,324	\$ 7,786	\$ 0
Accrued payroll	41,679	536	
Compensated absences			
Due to cities and towns			
Due to federal government			
Deferred revenue	49,168	573	
Obligations under lease/purchase and other financing arrangements			
Claims and judgements		1,224	
Other accrued liabilities	165,945	3,432	6,987
Capital leases			
Bonds, notes payable and certificates of participation	2,550,774	65,717	319,535
Total liabilities	2,861,890	79,268	326,522
Fund equity:			
Contributed capital	2,433,829	92,681	409,030
Retained earnings (deficits):			
Reserved for investment programs			
Unreserved	(165,779)	1,618	7,195
Total fund equity	2,268,050	94,299	416,225
Total liabilities and fund equity	\$ 5,129,940	\$ 173,567	\$ 742,747

Massachusetts Convention Center Authority	Economic Development Authorities	Total
\$ 12,530	\$ 50,024	\$ 272,708
	46,383	173,830
33,623	7,966	59,380
	12,000	105,588
	74,465	426,780
337	1,176	41,869
	376	376
10,120	2,820	445,171
	33	39,418
204,932	21,049	4,823,218
2,642	686	139,078
<u>\$ 264,184</u>	<u>\$ 216,978</u>	<u>\$ 6,527,416</u>
\$ 20,863	\$ 6,284	\$ 89,257
	529	42,744
	296	296
	475	475
	1,045	1,045
424	5,186	55,351
		1,224
12,324	6,484	195,172
	38	38
<u>190,238</u>	<u>17,909</u>	<u>3,144,173</u>
<u>223,849</u>	<u>38,246</u>	<u>3,529,775</u>
44,613	70,576	3,050,729
	51,847	51,847
(4,278)	56,309	(104,935)
<u>40,335</u>	<u>178,732</u>	<u>2,997,641</u>
<u>\$ 264,184</u>	<u>\$ 216,978</u>	<u>\$ 6,527,416</u>

COMMONWEALTH OF MASSACHUSETTS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS AND CHANGES IN CONTRIBUTED CAPITAL -
DISCRETELY PRESENTED COMPONENT UNITS

FISCAL YEAR ENDED JUNE 30, 1994

(Amounts in thousands)

	Massachusetts Bay Transportation Authority	Regional Transit Authorities	Water Pollution Abatement Trust
Operating revenues:			
Charges for services	\$ 199,550	\$ 34,718	\$ 0
Donations			
Other		188	
Total operating revenues	199,550	34,906	
Operating expenses:			
Cost of services and administration	625,130	91,889	5,682
Depreciation	153,865	12,067	227
Total operating expenses	778,995	103,956	5,909
Operating income (loss)	(579,445)	(69,050)	(5,909)
Nonoperating revenues (expenses):			
Operating grants	17,230	11,699	2,278
Interest income	4,503	400	19,102
Other revenues	1,135	308	576
Interest expense	(116,044)	(1,881)	(14,230)
Other expenses	(12,383)	(629)	
Nonoperating revenues (expenses), net	(105,559)	9,897	7,726
Income (Loss) before transfers	(685,004)	(59,153)	1,817
Transfers:			
Transfers in from primary government	606,442	47,761	2,981
Total transfers	606,442	47,761	2,981
Net income (loss)	(78,562)	(11,392)	4,798
Add: Depreciation of fixed assets acquired from contributed capital	74,603	11,765	227
Increase (decrease) in retained earnings	(3,959)	373	5,025
Retained earnings (deficits) at beginning of year	(161,820)	1,245	2,170
Retained earnings (deficits) at end of year	\$ (165,779)	\$ 1,618	\$ 7,195

Massachusetts Convention Center Authority	Economic Development Authorities	Total
\$ 6,999	\$ 4,423	\$ 245,690
	670	670
	1,801	1,989
6,999	6,894	248,349
16,410	50,450	789,561
8,502	2,434	177,095
24,912	52,884	966,656
(17,913)	(45,990)	(718,307)
	28,791	59,998
245	5,530	29,780
178	2,589	4,786
(11,233)	(1,466)	(144,854)
(8,511)	(4,506)	(26,029)
(19,321)	30,938	(76,319)
(37,234)	(15,052)	(794,626)
21,968	22,247	701,399
21,968	22,247	701,399
(15,266)	7,195	(93,227)
7,939		94,534
(7,327)	7,195	1,307
3,049	100,961	(54,395)
\$ (4,278)	\$ 108,156	\$ (53,088)

(Continued)

COMMONWEALTH OF MASSACHUSETTS
 COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN
 RETAINED EARNINGS AND CHANGES IN CONTRIBUTED CAPITAL -
 DISCRETELY PRESENTED COMPONENT UNITS

FISCAL YEAR ENDED JUNE 30, 1994

(Amounts in thousands)

	Massachusetts Bay Transportation Authority	Regional Transit Authorities	Water Pollution Abatement Trust
Contributed capital at beginning of year	\$ 2,420,849	\$ 93,654	\$ 312,509
Add. Capital contributions Other	87,583	10,792	96,748
Less: Depreciation of fixed assets acquired from contributed capital	(74,603)	(11,765)	(227)
Contributed capital at end of year	<u>\$ 2,433,829</u>	<u>\$ 92,681</u>	<u>\$ 409,030</u>

<u>Massachusetts Convention Center Authority</u>	<u>Economic Development Authorities</u>	<u>Total</u>
\$ 47,984	\$ 66,417	\$ 2,941,413
4,568	4,159	203,850
<u>(7,939)</u>		<u>(94,534)</u>
\$ <u>44,613</u>	\$ <u>70,576</u>	\$ <u>3,050,729</u>

COMMONWEALTH OF MASSACHUSETTS
 COMBINING STATEMENT OF CASH FLOWS -
 DISCRETELY PRESENTED COMPONENT UNITS
 FISCAL YEAR ENDED JUNE 30, 1994
(Amounts in thousands)

	Massachusetts Bay Transportation Authority	Regional Transit Authorities	Water Pollution Abatement Trust
Cash flows from operating activities:			
Operating income (loss)	\$ (579,445)	\$ (69,050)	\$ (5,909)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:			
Depreciation	153,865	12,067	227
Other nonoperating revenues	1,135	308	576
Other nonoperating expenses	(12,383)	(629)	
Change in assets and liabilities:			
Due from federal government	981	186	57,563
Loans			(213,391)
Other receivables	(7,902)	(1,047)	(4,915)
Due from cities and towns			
Due from primary government	(24,507)	(5,086)	18,030
Inventory	1,077	(2)	
Restricted and other assets	(13,662)	(1,216)	473
Accounts payable	13,563	5,524	
Accrued payroll	9,325		
Compensated absences			
Deferred revenue	7,607	43	
Claims and judgements		3	
Other accrued liabilities	3,345	584	4,097
Due to cities and towns		(80)	
Total adjustments	132,444	10,655	(137,340)
Net cash provided by (used for) operating activities	(447,001)	(58,395)	(143,249)
Cash flows from noncapital financing activities:			
Operating grants	17,230	11,699	2,278
Transfers in from primary government	606,442	47,761	2,981
Net cash provided by (used for) noncapital financing activities	623,672	59,460	5,259

<u>Massachusetts Convention Center Authority</u>	<u>Economic Development Authorities</u>	<u>Total</u>
\$ (17,913)	\$ (45,990)	\$ (718,307)
8,502	2,434	177,095
178	2,589	4,786
(8,511)	(4,506)	(26,029)
	(6,135)	52,595
	(11,886)	(225,277)
193	(175)	(13,846)
	(55)	(55)
(3,830)	3,289	(12,104)
		1,075
(232)	(1,216)	(15,853)
9,085	2,098	30,270
	40	9,365
	92	92
(2)	2,210	9,858
		3
4,023	2,161	14,210
		(80)
<u>9,406</u>	<u>(9,060)</u>	<u>6,105</u>
<u>(8,507)</u>	<u>(55,050)</u>	<u>(712,202)</u>
	28,791	59,998
21,968	22,247	701,399
<u>21,968</u>	<u>51,038</u>	<u>761,397</u>

(Continued)

COMMONWEALTH OF MASSACHUSETTS
 COMBINING STATEMENT OF CASH FLOWS -
 DISCRETELY PRESENTED COMPONENT UNITS
 FISCAL YEAR ENDED JUNE 30, 1994
(Amounts in thousands)

	Massachusetts Bay Transportation Authority	Regional Transit Authorities	Water Pollution Abatement Trust
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	\$ (257,242)	\$ (9,546)	\$ (4)
Proceeds from the issuance of bonds and notes	1,099,415	37,028	178,085
Interest on bonds and notes	(116,044)	(1,881)	(14,230)
Capital contributions	87,583	10,792	96,748
Principal payments on bonds and notes	(1,004,677)	(37,617)	(7,125)
Proceeds from sale of equipment		17	
Net cash provided by (used for) capital and related financing activities	<u>(190,965)</u>	<u>(1,207)</u>	<u>253,474</u>
Cash flows from investing activities:			
Purchases of investments	(1,308,504)	(12)	(80,647)
Sales and maturities of investments	1,309,387		588
Interest income	4,503	400	19,102
Net cash provided by (used for) investing activities	<u>5,386</u>	<u>388</u>	<u>(60,957)</u>
Net increase (decrease) in cash and cash equivalents	<u>(8,908)</u>	<u>246</u>	<u>54,527</u>
Cash and cash equivalents at beginning of year	<u>51,072</u>	<u>12,190</u>	<u>101,027</u>
Cash and cash equivalents at end of year	<u>\$ 42,164</u>	<u>\$ 12,436</u>	<u>\$ 155,554</u>

Massachusetts Convention Center Authority	Economic Development Authorities	Total
\$ (10,768)	\$ (1,689)	\$ (279,249)
30,909	29,761	1,375,198
(11,233)	(1,466)	(144,854)
4,568	4,159	203,850
(4,250)	(11,023)	(1,064,692)
	1,174	1,191
<u>9,226</u>	<u>20,916</u>	<u>91,444</u>
(68,363)	(20,697)	(1,478,223)
47,171	3,811	1,360,957
245	5,530	29,780
<u>(20,947)</u>	<u>(11,356)</u>	<u>(87,486)</u>
1,740	5,548	53,153
<u>10,790</u>	<u>44,476</u>	<u>219,555</u>
<u>\$ 12,530</u>	<u>\$ 50,024</u>	<u>\$ 272,708</u>

COMMONWEALTH OF MASSACHUSETTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 1994

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying financial statements of the Commonwealth of Massachusetts (the Commonwealth) have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant Commonwealth accounting policies are described below.

a. Reporting Entity -

The state government is comprised of three branches: the Executive Branch, with the Governor as the chief executive officer; the Legislative Branch, consisting of a Senate of 40 members and a House of Representatives of 160 members; and the Judicial Branch made up of the Supreme Judicial Court, the Appeals Court and the Trial Court. In addition, the Legislature has established 56 independent authorities and agencies. Below the level of state government are 14 county governments and 351 cities and towns exercising the functions of local governments.

For financial reporting purposes, the Commonwealth of Massachusetts has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Commonwealth has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Commonwealth are such that exclusion would cause the Commonwealth's financial statements to be misleading or incomplete. As required by generally accepted accounting principles, these financial statements present the Commonwealth of Massachusetts (the primary government) and its component units. The Commonwealth has included 36 entities as component units in the reporting entity because of the significance of their operational and/or financial relationships with the Commonwealth.

Blended Component Units - Blended component units are entities which are legally separate from the Commonwealth, but are so intertwined with the Commonwealth that they are, in substance, the same as the Commonwealth or entities providing services entirely or almost entirely to the Commonwealth. The following Component Units are blended within the Primary Government:

The Pension Reserves Investment Trust Fund (PRIT) was created in 1984, through General Laws Chapter 661 of the Acts of 1983 as amended by the Acts of 1987. PRIT is the investment portfolio for the assets of member state and local retirement systems.

The Pension Reserves Investment Management (PRIM) Board manages and provides general supervision of the investments of PRIT. PRIM is governed by a board of directors comprised of 9 members including the Governor, State Treasurer, a representative from Public Safety, a representative from the State Employee's Retirement System and an investment specialist appointed by the Governor.

The Massachusetts State Teachers and Employees Retirement Systems Trust (MASTERS Trust) is a combined investment fund for the State Employees' Annuity Fund and the Teachers' Annuity Fund. The MASTERS Trust was established by the State Treasurer, as Trustee, under a Declaration of Trust dated January 1, 1989, pursuant to authority granted under MGL, Chapter 29, Section 38a.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

The Massachusetts State College Building Authority provides dormitories, dining commons and other facilities primarily for use by students and staff of certain state colleges of the Commonwealth. The building authority is governed by a board of a members appointed by the Governor.

The Southeastern Massachusetts University Building Authority provides residence halls and a dining center; it is governed by a 9 member board.

The University of Massachusetts Building Authority provides dormitories, dining commons and other buildings and structures for the use of the University of Massachusetts and its students and staff; it is governed by a 9 member board.

The University of Massachusetts Medical School Teaching Hospital Trust Fund accumulates the results from operations of the Teaching Hospital. The Board of Trustees of the University of Massachusetts is the governing body of the Teaching Hospital.

The University of Massachusetts Medical School Group Practice Plan is a trust fund that receives and distributes revenue from medical services to its members. Each member of the clinical faculty of the Medical School is required to be a member of the Group Practice Plan. The Group Practice Plan is governed by a 24 member board of which 23 are appointed by the Governor.

The University of Massachusetts Medical Center Self-Insurance Trust provides professional liability, hospital premises liability and physicians' and surgeons' liability coverage for the Medical Center, the Teaching Hospital and the Group Practice Plan. The Self-Insurance Trust is governed by a 24 member board of which 23 are appointed by the Governor.

Discrete Component Units - Discrete component units are entities which are legally separate from the Commonwealth, but are financially accountable to the Commonwealth, or whose relationships with the Commonwealth are such that exclusion would cause the Commonwealth's financial statements to be misleading or incomplete. The Component Units column of the combined financial statements include the financial data of the following entities:

The Massachusetts Bay Transportation Authority (MBTA) operates mass transit facilities within the Greater Boston metropolitan area, which consists of 78 cities and towns. The MBTA is overseen by a seven member board of directors appointed by the Governor. The Commonwealth guarantees the debt of the MBTA and funds deficiencies in the net cost of service.

The Regional Transit Authorities (RTA's) provide railway transportation to areas not serviced by the MBTA. The RTA's are fiscally dependent on the Commonwealth as evidenced from the need for approval by the Secretary of the Executive Office of Transportation and Construction before an RTA can issue bonded debt. In addition, the Commonwealth subsidizes a minimum of 50% of the net cost of service for the RTA's. There are 14 RTA's as follows:

- Berkshire Regional Transit Authority
- Brockton Area Transit Authority
- Cape Ann Transportation Authority
- Cape Cod Regional Transit Authority
- Franklin Regional Transit Authority
- Greater Attleboro/Taunton Regional Authority

COMMONWEALTH OF MASSACHUSETTS
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- Greenfield-Montague Transportation Area
- Lowell Regional Transit Authority
- Martha's Vineyard Transit Authority
- Merrimack Valley Regional Transit Authority
- Montachusett Regional Transit Authority
- Pioneer Valley Transit Authority
- Southeastern Regional Transit Authority
- Worcester Regional Transit Authority

The Massachusetts Water Pollution Abatement Trust (WPAT) provides a combination of federal and Commonwealth funds for water pollution abatement projects. WPAT is governed by a three member board of directors that includes the State Treasurer, Commissioner of the Department of Environmental Protection and the Secretary for Administration and Finance.

The Massachusetts Convention Center Authority (MCCA) manages the operation of the John B. Hynes Veterans Memorial Convention Center and the Boston Common Parking Garage. The MCCA is governed by a 7 member board of directors which includes the State Treasurer and 4 appointments made by the Governor. The Commonwealth provides grants to fund annual debt service of the bonds issued and subsidies to fund annual operating deficits.

Economic Development -

The Massachusetts Community Development Finance Corporation (MCDFC) provides community development in economically depressed areas in Massachusetts. The MCDFC is governed by a board of directors comprised of 9 members including the Secretary of Manpower Affairs, Secretary of Communities and Development, the Secretary for Administration and Finance and 6 appointments made by the Governor.

The Bay State Skills Corporation (BSSC) identifies occupations that are in high demand, seeks out educational and training organizations and then funds creative skills training programs. BSSC is governed by a 19 member board of directors including the Secretary of Economic Affairs, Commissioner of Welfare, Chancellor of the Board of Regents, Commissioner for Department of Education, Commissioner for Department of Employment and Training and 14 appointments made by the Governor. The operations are almost entirely funded through Commonwealth grants.

The Massachusetts Industrial Service Program (ISP) provides high risk financing to troubled businesses, assists displaced workers and assists communities to foster economic vitality. ISP has a 5 member board of trustees including the Secretary of Economic Affairs and the Secretary of Labor and 3 appointments by the Governor. ISP relies on Commonwealth funding to operate.

The Massachusetts International Trade Council stimulates export development through export assistance programs and promotion of foreign investment in Massachusetts industries. The entity is funded with Commonwealth grants. The governor appoints the 2 member board.

The Government Land Bank (GLB) aids public and private agencies in the conversion and redevelopment of surplus Commonwealth and federal property, and blighted, decadent or substandard property for the purpose of stimulating economic development and provide housing to low and moderate income persons. The GLB is governed by a board of directors comprised of 10 members including the Commissioner of Administration, the Secretary of Communities and Development and 8

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

appointments made by the Governor. The GLB has access to \$40 million of general obligation bonds and the Commonwealth also provides subsidy assistance. The GLB also needs Commonwealth approval to issue bonded debt.

The Massachusetts Technology Park Corporation (MTPC) manages Massachusetts educational centers that foster economic development within the Commonwealth by providing Massachusetts colleges and universities with access to equipment, machinery and instructional assistance necessary to offer programs in certain emerging areas of science and technology. MTPC is governed by a board of directors comprised of 23 members including the Secretary of Economic Affairs, the Secretary for Administration and Finance, the Chancellor of the Board of Regents and 20 appointments made by the Governor. The Commonwealth provides grants to fund operations.

The Community Economic Development Assistance Corporation (CEDAC) provides development assistance to nonprofit corporations to expand the supply of affordable housing and to foster the revitalization of economically distressed areas. The Governor appoints the 9 member board of directors.

The Massachusetts Corporation for Education Telecommunications (MCET) operates a statewide telecommunication network for the Commonwealth public and private sector to improve the quality of education. MCET is governed by a board of directors comprised of 18 members of which 12 are appointed by the Governor. The Corporation receives grants from the Commonwealth to fund its programs.

The Massachusetts Housing Partnership (MHP) addresses local needs for affordable housing and neighborhood development through group effort of the public and private sectors and state and local government. The entity is governed by a 7 member board of directors of which 2 members are appointed by the Governor, and one member is the Secretary for Administration and Finance and one is the Secretary of Communities and Development. The Commonwealth provides funding to MHP.

The Massachusetts Zoological Corporation manages Franklin Park Zoo and the Walter D. Stone Memorial Zoo. The Corporation's 11 member board is appointed by the Governor. The Commonwealth subsidizes a substantial portion of the operations of the zoos.

The combining financial statements - Component units condensed financial statements are included in the component unit column of the general purpose financial statements. Complete financial statements of the individual component units can be obtained directly from their respective administrative offices:

Massachusetts Bay Transportation Authority Ten Park Plaza Boston, MA 02116	Lowell Regional Transit Authority 145 Thorndike Street Lowell, MA 01852	Government Land Bank One Court Street, Suite 200 Boston, MA 02108
Massachusetts Convention Center Authority 900 Boylston Street Boston, MA 02115	Merrimack Valley Regional Transit Authority 85 Railroad Avenue Bradford, MA 01835	Massachusetts Community Development Finance Corporation 10 Post Office Square, Suite 1090 Boston, MA 02109

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Berkshire Regional Transit Authority 67 Downing Parkway Pittsfield, MA 01201	Montachusett Regional Transit Authority Rear 1427 Water Street Fitchburg, MA 01420	Massachusetts Corporation for Education Telecommunications 38 Sidney Street Cambridge, MA
Brockton Area Transit Authority 70 School Street Brockton, MA 02401	Pioneer Valley Transit Authority 2808 Main Street Springfield, MA 01107	Massachusetts Housing Partnership 2 Oliver Street Boston, MA 02109
Cape Ann Transportation Authority PO Box 511 Gloucester, MA 01931	Southeastern Regional Transit Authority 25 North Sixth Street New Bedford, MA 02740	Massachusetts Industrial Service Program 100 Cambridge Street, Room 1302 Boston, MA 02202
Cape Cod Regional Transit Authority 585 Main Street, PO Box F Dennis, MA 02638	Martha's Vineyard Transit Authority PO box 158 Edgartown, MA 02539	Massachusetts International Trade Council, Inc. 100 Cambridge Street, Room 1302 Boston, MA 02202
Franklin Regional Transit Authority 474 Main Street Greenfield, MA 01301	Worcester Regional Transit Authority 287 Grove Street Worcester, MA 01605	Massachusetts Technology Park Corporation 75 North Drive Westborough, MA 01581
Greater Attleboro/Taunton Regional Authority 7 Mill Street Attleboro, MA 02703	Bay State Skills Corporation 101 Summer Street Boston, MA 02100	Water Pollution Abatement Trust Office of the State Treasurer One Ashburton Place, 12th Floor Boston, MA 02108
Greenfield-Montague Transportation Area 382 Deerfield Street Greenfield, MA 01301	Massachusetts Community Economic Development Assistance Corporation 19 Temple Street Boston, MA 02111	Commonwealth Zoological Corporation 1 Franklin Park Road Boston, MA 02121

The following organizations do not meet the criteria for inclusion in the reporting entity, and are excluded from the general purpose financial statements: Massachusetts Turnpike Authority, Massachusetts Port Authority, Massachusetts Water Resources Authority, Massachusetts Housing Finance Agency, Massachusetts Health and Educational Facilities Authority, Massachusetts Technology Development Corporation and Massachusetts Industrial Finance Agency.

The Commonwealth does not exercise any oversight responsibility and maintains no special financing relationships with these entities.

In addition the Massachusetts Horse Racing Authority and the Massachusetts Centers of Excellence Corporation are entities established in general law but are currently inactive.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

b. Fund Accounting -

The Commonwealth reports its financial position and results of operations in funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Transactions between funds within a fund type, if any, have not been eliminated.

Account groups are accounting entities used to provide accountability for the Commonwealth's general fixed assets and general long-term obligations. They are not considered funds because they do not report expendable available financial resources and related liabilities.

The Commonwealth has established the following fund categories (further divided by fund types), and account groups:

Governmental Funds - account for the general governmental activities of the Commonwealth.

The General Fund is the primary operating fund of the Commonwealth. It is used to account for all governmental transactions, except those required to be accounted for in another fund.

Special Revenue Funds are used to account for specific revenue sources, other than expendable trusts or major capital financing, that have been segregated according to state finance law to support specific governmental activities.

Capital Projects Funds are used to account for financial resources used to acquire or construct major capital assets and to finance local capital projects. These resources are derived primarily from proceeds of general obligation bonds and federal reimbursements.

Fiduciary Funds - are used to account for assets held by the Commonwealth in a trustee capacity, or as an agent for individuals, private organizations, other governmental units, and/or other funds.

Expendable Trust Funds are used to account for trusts whose principal and income may be expended for their designated purpose.

Nonexpendable Trust Funds are used to account for trusts whose principal cannot be spent.

Pension Trust Funds are used to account for the assets, liabilities and fund equities held in trust for the State Employees' and Teachers' Retirement Systems.

Agency Funds are used to account for assets the Commonwealth holds on behalf of others. Agency Funds are custodial in nature and do not involve measurement of operations.

University and College Fund - is used to account for the activities specific to the operation of the Commonwealth's public institutions of higher education, including its medical school

Current Funds are comprised of unrestricted funds which may be used at the discretion of the individual institutions' governing bodies and restricted funds which must be utilized for specific purposes established by others.

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Loan funds account for resources available to make loans to students, faculty and staff.

Endowment and Similar Funds are comparable to trust funds, and they must be administered according to the terms of specific agreements.

Plant Funds are used to account for resources that have been or will be invested to acquire or repair fixed assets or for the related debt service.

Account Groups - establish control and accountability over the Commonwealth's general fixed assets and general long-term obligations.

The General Fixed Assets Account Group is used to account for general fixed assets of the Commonwealth, excluding the fixed assets of the University and College Fund and the discretely presented Component Units.

The General Long-term Obligations Account Group is used to account for long-term bonds and notes issued by the Commonwealth, capital leases, certificates of participation, unpaid pension costs, compensated absences, claims and judgments and other long-term obligations, excluding the liabilities of the University and College Fund and the discretely presented Component Units.

Component Units - account for the activity of the entities that are separate from the primary government but are financially accountable to the Commonwealth. The Component Units are discretely presented in the general purpose financial statements.

c. *Measurement Focus and Basis of Accounting* -

Governmental and Expendable Trust Funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. "Available" means expected to be collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include income, sales and use, corporation and other taxes, federal grants, federal reimbursements and other reimbursements for use of materials and services. Revenues from other sources are recognized when received. Expenditures are recorded in the period in which the related fund liability is incurred. Principal and interest on general long-term obligations are recorded as fund liabilities when due.

Component Units, Nonexpendable Trust and Pension Trust Funds are reported using a flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This measurement focus emphasizes the determination of net income.

Agency Fund assets and liabilities are reported using the modified accrual basis of accounting. They are custodial in nature and do not measure results of operations or have a measurement focus.

University and College Fund activities are reported using the accrual basis of accounting, except that depreciation is recorded only for those plant fund assets related to the hospital and group practice plan.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Statutory (Budgetary) Accounting - The Commonwealth's books and records and other official reports are maintained on the basis of accounting used in the preparation of the Commonwealth's legally adopted annual budget (statutory basis). The statutory basis emphasizes accountability and the budgetary control of appropriations, and the Statutory Basis Financial Report is not intended to present the Commonwealth's financial condition and results of operations in conformity with GAAP.

Under the statutory basis, revenues are generally recognized when the cash deposit is received. However, revenues receivable for federal grants and reimbursements are recognized when related expenditures are incurred, and amounts due from certain political subdivisions of the Commonwealth are recognized when considered measurable and available at year end.

Expenditures generally are recorded when the related cash disbursement occurs. At year end, payroll is accrued and payables are recognized, to the extent of approved encumbrances, for goods or services received by June 30. Costs incurred under the federally-sponsored Medicaid program, amounts required to settle claims and judgments against the Commonwealth, and certain other liabilities are not recognized until they are encumbered or otherwise processed for payment.

d. *Cash and Short-term Investments and Investments* -

The Commonwealth follows the practice of pooling cash and cash equivalents for some of its Governmental and Fiduciary Funds. Cash equivalents consist of short-term investments with an original maturity of three months or less and are stated at cost. There are instances where a fund with a cash deficit will borrow from another fund. These interfund borrowings are reported as "Due from other funds" and "Due to other funds" on the balance sheet. Interest earned on pooled cash is allocated to the General Fund, Expendable Trust Funds and to certain Special Revenue Funds when so directed by law.

The Pension Trust Funds, with investments totaling \$11,613,208,000, are permitted to make investments in equity securities, fixed income securities, real estate and other alternative investments. Equity securities of the Pension Trust Funds and deferred compensation plan investments are stated at market. The Pension Trust Funds have acquired investments in real estate, venture capital funds, real estate funds, limited partnerships, futures pools, international hedge pools, commodities pools, balanced pools, leverage buyouts, private placements and other alternative investments. The structure, risk profile, return potential and marketability differ from traditional equity and fixed income investments. As of June 30, 1994, the estimated values, determined by management with input from the investment managers, of these alternative investments were \$434,131,507 in the MASTERS Trust and \$635,426,769 in PRIT representing 2.3% and 3.4%, respectively of the total assets of the Fiduciary Fund Type.

Included in the discretely presented Component Units is \$6,977,000 in investments, whose valuation was determined by management. In making its valuations, management considered the cost of investments, current and past operating results, current economic conditions and their effect on the borrowers, estimated realizable values of collateral, and other factors pertinent to the valuation of investments. There is no public market for most of the investments. Management, in making its evaluation, has in many instances relied on financial data and on estimates by management of the companies they have invested in as to the effect of future developments.

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Investments of the University of Massachusetts (UMass) are stated at the lower-of-cost or market (except for debt instruments to be held to maturity which are carried at amortized cost). Other investments are stated at cost or amortized cost.

Annuity contracts represent guaranteed investment contracts and are carried at present value.

e. Receivables -

Receivables are stated net of estimated allowances for uncollectible accounts. Reimbursements due to the Commonwealth for its expenditures on federally-funded reimbursement and grant programs are reported as "Due from federal government." The receivables in the University and College Fund and Component Units column are amounts that have arisen in the normal course of operations.

f. Inventories and Other Assets -

The costs of materials and supplies are recorded as expenditures in Governmental Funds when purchased. Such inventories are not material in total to the financial statements and therefore are not recorded.

Inventories included within the University and College Fund and the Component Unit column are stated at the lower of cost, using the first-in, first-out method, or market (on the purchase or consumption method).

g. Fixed Assets -

For Governmental Funds, general fixed asset acquisitions are recorded as expenditures in the acquiring fund and capitalized in the General Fixed Assets Account Group in the year purchased. General fixed assets are recorded at historical cost, or at estimated historical cost if actual historical cost is not available. Donated fixed assets are recorded at the estimated fair market value at the date of the donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized.

The Commonwealth capitalizes all land. It capitalizes buildings and equipment, including computer software, with costs in excess of fifteen thousand dollars at the date of acquisition and expected useful lives of greater than one year. Interest incurred during construction is not material and it is not capitalized. Public domain general fixed assets or Infrastructure (roads, bridges, tunnels, dams, water and sewer systems, etc.) are not capitalized. No depreciation is provided on general fixed assets.

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Fixed assets of the University and College Fund are recorded at cost when purchased or constructed. Major construction projects financed through the issuance of Commonwealth bonds are not recognized as additions to investment in plant until completed. All land and library collections are capitalized. The University of Massachusetts and state colleges capitalize all other fixed assets with costs in excess of one thousand dollars. The community colleges capitalize all other fixed assets with costs in excess of fifteen thousands dollars consistent with the Commonwealth's fixed asset policy. No provision for depreciation is recognized except for depreciation recorded on the University of Massachusetts Medical School Teaching Hospital, Group Practice Plan, and Worcester City Campus Corporations fixed assets, which is recorded on a straight line basis over the estimated useful lives of the assets.

Fixed assets of the Component Units are capitalized upon purchase and depreciated on a straight-line basis over the estimated useful lives of the assets. Interest incurred during construction is capitalized. The estimated useful lives of fixed assets are as follows:

Structures and improvements	3 - 100 years
Equipment, furniture, fixtures and vehicles	3 - 25 years

h. Interfund/Intrafund Transactions -

During the course of its operations, the Commonwealth records transactions between funds and/or between departments. Transactions of a buyer/seller nature between departments within a fund are not eliminated from the individual fund statements. Receivables and payables resulting from transactions between funds are classified as "Due from other funds" or "Due to other funds" on the balance sheet

Receivables and payables resulting from transactions between Component Units and the primary government are classified as Due to/from primary government or Due to/from Component Units.

i. Fringe Benefit Cost Recovery -

The Commonwealth appropriates and pays the fringe benefit costs of its employees and retirees through the General Fund. These fringe benefits include the costs of employees' health insurance, pensions, unemployment compensation and other costs necessary to support the workforce. As directed by Massachusetts General Laws, these costs are assessed to other funds based on payroll costs, net of credits for direct payments. Since fringe benefit costs are not separately appropriated or otherwise provided for in these funds, the required assessment creates an unfavorable budget variance in the budgeted funds.

j. School Construction Grants -

The Commonwealth is committed to reimburse certain cities, towns and regional school districts for a portion of their debt service costs for school construction and renovation. This liability is recorded in the General Long-term Obligations Account Group.

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k. Compensated Absences -

For Governmental Funds and Expendable Trust Funds, vested or accumulated vacation and sick leave expected to be liquidated with expendable available financial resources are reported as expenditures and fund liabilities. Amounts that are not expected to be so liquidated are reported in the General Long-term Obligations Account Group.

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements and state laws. Upon retirement, termination or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their then-current rate of pay.

In the University and College Funds and the discretely presented Component Units, employees' accumulated vacation and sick leave are recorded as an expense and liability as the benefits accrue.

l. Lottery Revenue and Prizes -

Ticket revenues and prizes awarded by the Massachusetts Lottery Commission are recognized as drawings are held. For certain prizes payable in installments, the Commonwealth purchases annuities in the Commonwealth's name, which are recorded as annuity contracts and prizes payable in the Agency Funds. The Commonwealth retains the risk related to such annuities.

m. Risk Financing -

The Commonwealth does not insure for workers' compensation, casualty, theft, tort claims and other losses. Such losses, including estimates of amounts incurred but not reported, are included as accrued liabilities in the accompanying financial statements when the claim is incurred. For workers' compensation, the Commonwealth assumes the full risk of claims filed under a program managed by the Public Employee Retirement Administration and another program for individuals working on the Central Artery/Third Harbor Tunnel Project managed by the Massachusetts Highway Department. For personal injury or property damages, Massachusetts General Laws limit the risk assumed by the Commonwealth to \$100,000 per occurrence, in most circumstances. The Group Insurance Commission administers health care and other insurance for the Commonwealth's employees and retirees.

n. Total Columns - Memorandum Only -

Total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present consolidated financial position, results of operations or cash flows. Interfund eliminations have not been made in the aggregation of this data.

Certain "Memorandum Only" columns for 1993 are labeled "as restated" to reflect the adoption of GASB Statement No. 14 as discussed in Note 15.

o. Reclassifications -

For the fiscal year ended June 30, 1994, certain reclassifications have been made to the 1993 balances to conform to the presentation used in 1994.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

The presentation of the separately issued Component Units financial statements has been reclassified to conform to the accounting classifications used by the Commonwealth.

p. Future Adoption of Accounting Pronouncements -

The GASB has issued the following statements which the Commonwealth has not yet adopted and which require adoption subsequent to June 30, 1994:

<u>Statement No.</u>		<u>Adoption required in fiscal year</u>
10	Accounting and Financial Reporting for Risk Financing and Related Insurance Issues	1995
19	Governmental College and University Omnibus Statement (Risk Financing Activities)	1995
20	Accounting and Financial Reporting for Proprietary Funds and Other Entities That Use Proprietary Fund Accounting	1995
21	Accounting for Escheat Property	1995
22	Accounting for Taxpayer-Assessed Tax Revenues in Governmental Funds	1995
24	Accounting and Reporting for Certain Grants and Other Financial Assistance	1995
25	Financial Reporting for Defined Benefit Pension Plans and Note Disclosure for Defined Contribution Plans	1996
26	Financial Reporting for Postretirement Healthcare Plans administered by Defined Benefit Pension Plans	1996
27	Accounting for Pensions by State and Local Governmental Employers	1997

The implication of these statements to the Commonwealth's fiscal practices and financial reports is being evaluated.

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2. BUDGETARY CONTROL:

State finance law requires that a balanced budget be approved by the Governor and the Legislature. The Governor presents an annual budget to the Legislature which includes estimates of revenues, expenditures and other financing sources and uses anticipated during the coming fiscal year. The Legislature, which has full authority to amend the budget, adopts an expenditure budget by appropriating monies, at the individual appropriation account level, in an annual appropriation act.

For fiscal year 1994, the Legislature included in the general appropriation act a revenue budget to show the estimates of amounts expected to be available to finance appropriated expenditures.

Before signing the appropriation act, the Governor may veto or reduce any specific item, subject to legislative override. Further changes to the budget established in the annual appropriation may be made via supplemental appropriation acts or other legislative acts. These also must be approved by the Legislature and signed by the Governor and are subject to line item veto.

The majority of the Commonwealth's appropriations are non-continuing accounts which lapse at the end of each fiscal year. Others are continuing accounts for which the Legislature has authorized that an unspent balance from the prior fiscal year be carried forward and made available for current spending. In addition, the Legislature may direct that certain revenues be retained and made available for spending within an appropriation account.

Generally, expenditures may not exceed the level of spending authorized for an individual appropriation account. However, the Commonwealth is statutorily required to pay debt service, regardless of whether such amounts are appropriated. Certain interfund assessments to allocate fringe benefits and other costs are mandated by state finance law but not itemized in the appropriation process or separately budgeted. In addition, Massachusetts General Laws authorize the Secretary of Administration and Finance, with the approval of the Governor, to withhold allotment of appropriated funds, effectively reducing the account's expenditure budget, upon determination that available revenues will be insufficient to meet authorized expenditures.

The original fiscal year 1994 appropriation act authorized a total of \$14,825,102,000 in direct appropriations, \$611,422,000 in authorizations to retain and expend certain non-tax revenues and \$125,869,000 of interagency chargebacks. The act also included estimates of \$10,560,000,000 in tax revenues and approximately \$4,887,800,000 in non-tax revenues. With these revenues (exclusive of chargebacks) projected to total approximately \$15,447,800,000, and with unreserved balances of approximately \$142,638,000 carried forward from fiscal year 1993, the budget as presented in this original appropriation act was considered to be in balance. Subsequently, the Legislature overrode the Governor's veto of \$20,990,000 in direct appropriations bringing the total direct appropriations to \$14,846,092,000.

During fiscal year 1994, the Legislature also passed and the Governor signed, with some modification through veto, several supplemental budgetary appropriations. These amounts added approximately \$242,282,000 in direct appropriations and \$18,001,000 in additional retained revenue authorizations and \$3,515,000 of inter-agency chargebacks.

Subsequent to June 30, 1994, the Legislature passed and the Governor signed, with modification through veto, approximately \$119,857,000 in additional supplemental appropriations cumulative. These actions raised to approximately \$15,967,038,000 the total of appropriations and retained revenue authorizations.

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Appropriations continued from fiscal year 1993 totaled approximately \$106,626,000, and certain intrafund and interfund transfers and expenditures, directed by statute, totaled approximately \$197,550,000.

Because revenue budgets are not updated subsequent to the original appropriations act, the comparisons of the initial budgeted revenue to the subsequent, and often modified, expenditure budget can be misleading. Also, the financial statements portray fund accounting with gross inflows and outflows, thus creating a second discrepancy to separately published budget documents.

Line item appropriations are enacted for the General Fund and certain Special Revenue Fund activities. For these funds, a Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis - Budget and Actual - General and Budgeted Special Revenue Funds is included. The Budgeted Special Revenue Funds itemized in the CAFR are the Highway, Local Aid, Commonwealth Stabilization, Administrative Control, Environmental and under the label of Other, all remaining budgeted funds.

The Office of the Comptroller has the responsibility to ensure that budgetary control is maintained on an individual line item appropriation account basis. Budgetary control is exercised through the State Accounting System, Massachusetts Management Accounting and Reporting System (MMARS). Encumbrances and expenditures are not allowed to exceed the appropriation account total available spending authorization. This results in unfavorable budget to actual variances in "Other financing uses."

A MMARS report, internally identified as RPT226, is used by management and the Office of the Comptroller to monitor spending against budget. This report provides information at the individual line item appropriation account level, which is the legal level of budgetary control. For financial reporting, the Commonwealth groups these appropriation accounts by character and secretariat to conform to its organizational structure.

On the statutory basis, the Commonwealth Stabilization and Administrative Control Funds are segregated from the General Fund and reclassified as budgeted Special Revenue Funds to reflect the intent of the Legislature, which established statutory funds for specific appropriated activities. These funds are included in the General Fund in the general purpose financial statements, consistent with their presentation in prior fiscal years.

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A reconciliation of the statutory basis General and budgeted Special Revenue funds to the GAAP basis General and all Special Revenue funds presented in the financial statements is as follows (amounts in thousands):

	<u>General</u>	<u>Special Revenue</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (statutory basis)	\$ 69,693	\$ (42,932)
Entity differences:		
Excess (deficiency) of revenues and other sources over expenditures and other uses for:		
Non-budgeted Special Revenue Funds		18,167
Perspective differences:		
Certain activities treated as Special Revenue Funds for statutory and as part of the General Fund for GAAP	73,489	(73,489)
Basis of accounting differences:		
Net decrease in taxes receivable	(51,662)	(22,666)
Net increase/(decrease) in due from federal government	(10,479)	165
Net decrease in other receivables and other assets	(184,380)	(4,828)
Net increase in tax refunds and abatements payable	(18,892)	(6,824)
Net decrease in accounts payable and other liabilities	<u>320,087</u>	<u>64,799</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	<u>\$ 197,856</u>	<u>\$ (67,608)</u>

3. DEPOSITS AND INVESTMENTS:

Cash and Short-term Investments - The Commonwealth maintains a cash and short-term investment pool which is utilized by the Governmental and Fiduciary Fund types.

As of June 30, 1994, the carrying amount of the Primary Government's total cash and cash equivalents was \$768,086,000 and the corresponding bank balances were \$802,731,000. Bank deposits in the amount of \$571,662,000 were insured by the Federal Deposit Insurance Corporation, and \$231,069,000 were uninsured and uncollateralized.

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As of June 30, 1994, the carrying amount of the discretely presented Component Unit's total cash and cash equivalents was \$188,097,000, and the corresponding bank balances were \$187,480,000. Bank deposits of \$94,549,000 were insured by the Federal Deposit Insurance Corporation and \$92,931,000 were uninsured and uncollateralized.

Investments - The Commonwealth maintains an investment pool, the Massachusetts Municipal Depository Trust (MMDT), that is available for use by all funds. The deposits and investments of the Component Units and the University and College Funds and the investments of the Pension Trust Funds are held separately from those of other Commonwealth funds, with the exception of their investments in MMDT.

Statutes authorize the Primary Government to invest in obligations of the U.S. Treasury, authorized bonds of all states, banker's acceptances, certificates of deposit, commercial paper rated within the three highest classifications established by Standard & Poors Corporation and Moody's Commercial Paper Record and repurchase agreements that any of these obligations secure. Investments in the MMDT are carried at cost, which approximates market. The Pension Trust Funds are permitted to make investments in equity securities, fixed income securities, real estate and other alternative investments. In the following table, these alternative investments, venture capital and futures pools are classified as other investments. The investment policies of the Component Units are the same as the Primary Government's, except that they permit investment in equity securities.

Short-term investments and investments are classified as to collateral risk into the following three categories:

- | | |
|-------------|---|
| Category 1: | Insured or registered, or securities held by the Commonwealth or its agent in the Commonwealth's name. |
| Category 2: | Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Commonwealth's name. |
| Category 3: | Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Commonwealth's name. |

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Primary Government -

Investments of the Primary Government at June 30, 1994, are as follows (amounts in thousands):

Investment	Carrying amount			Total	Market value
	Category 1	Category 2	Category 3		
Repurchase agreements	\$ 429,339	\$ 2,413	\$ 0	\$ 431,752	\$ 431,752
U.S. Treasury obligations	465,226	5,838		471,064	471,064
Commercial paper	788,549			788,549	788,549
Government obligations	2,700,419	77,348		2,777,767	2,777,767
Equity securities	6,571,068	17,537	246	6,588,851	6,588,856
Fixed income securities	1,473,848	65,998		1,539,846	1,539,898
Asset backed investments		17,651		17,651	17,651
Notes		1,514		1,514	1,514
Other		2,514	212	2,726	2,704
	<u>\$ 12,428,449</u>	<u>\$ 190,813</u>	<u>\$ 458</u>	12,619,720	12,619,755
Money market investments				262,183	262,183
Mutual fund investments				5,869	5,869
Deferred compensation plan mutual funds				945,401	945,401
Annuity contracts				1,045,084	1,045,084
Eurodollar contracts				34,445	34,445
Real Estate				629,032	629,032
Assets held in trust				1,550,917	1,550,917
Cash on deposit with insurance carriers				83,319	83,319
Deposits with U.S. Treasury				33,001	33,001
Certificate of deposit				504,650	504,650
Total				<u>\$ 17,713,621</u>	<u>\$ 17,713,656</u>

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Following is a reconciliation of investments as summarized above to the balance as recorded in the combined balance sheet (amounts in thousands):

Investments as summarized above	\$ 17,713,621
Less: Short-term investments reported in the combined balance sheet as cash and short-term investments	2,187,396
Restricted investments reported separately in the combined balance sheet	83,319
Deferred compensation plan mutual funds reported separately in the combined balance sheet	945,401
Assets held in trust reported separately in the combined balance sheet	1,550,917
Annuity contracts reported separately in the combined balance sheet	1,045,084
Deposits reported separately in the combined balance sheet	<u>33,001</u>
Investments as reported on the combined balance sheet	\$ <u><u>11,868,503</u></u>
Following is a reconciliation of the balance of cash and short-term investments at June 30, 1994 (amounts in thousands):	
Carrying amount of cash and cash equivalents	\$ 768,086
Short-term investments	<u>2,187,396</u>
Cash and short-term investments as reported on the combined balance sheet	\$ <u><u>2,955,482</u></u>

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Component Units - Investments of the discretely presented Component Units at June 30, 1994, are as follows (amounts in thousands):

Investment	Carrying amount			Total	Market value
	Category 1	Category 2	Category 3		
Repurchase agreements	\$ 2,549	\$ 0	\$ 31,150	\$ 33,699	\$ 33,699
U.S. Treasury obligations	18,025	38,210		56,235	56,718
Commercial paper	24,363			24,363	24,363
Government obligations		33,063	10,605	43,668	43,524
Equity securities		185	1,499	1,684	1,684
Notes		3,025	6,572	9,597	8,377
Other	1,837	1,598		3,435	3,443
	<u>\$ 46,774</u>	<u>\$ 76,081</u>	<u>\$ 49,826</u>	172,681	171,808
Money market investments				14,823	14,823
Mutual fund investments				67	67
Guaranteed income contracts				<u>130,250</u>	<u>130,250</u>
Total				<u>\$ 317,821</u>	<u>\$ 316,948</u>

Following is a reconciliation of investments summarized above to the balance as recorded in the combined balance sheet (amounts in thousands):

Investments as summarized above	\$ 317,821
Less: Short-term investments reported in the combined balance sheet as cash and short-term investments	84,611
Restricted investments reported separately in the combined balance sheet	<u>59,380</u>
Investments as reported on the combined balance sheet	<u>\$ 173,830</u>

Following is a reconciliation of the balance of cash and short-term investments at June 30, 1994 (amounts in thousands):

Carrying amount of cash and cash equivalents	\$ 188,097
Short-term investments	<u>84,611</u>
Cash and short-term investments as reported on the combined balance sheet	<u>\$ 272,708</u>

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

4. RECEIVABLES:

Taxes, federal reimbursements, loans and other receivables are presented in the various funds as follows (amounts in thousands):

Primary Government -

	Taxes	Due from federal government	Loans	Other	Allowance for uncollectibles	Net receivable
General Fund	\$ 915,390	\$ 590,058	\$ 0	\$ 880,800	\$ (1,014,195)	\$ 1,372,053
Special Revenue Funds	633,862	145,773		117,395	(224,256)	672,774
Capital Projects Funds		155,301		1,419	(148)	156,572
Trust and Agency	356,848	7,176	7,421	1,666,612	(68,110)	1,969,947
University and College Fund		9,378	49,568	158,205	(32,968)	184,183
Subtotal	1,906,100	907,686	56,989	2,824,431		4,355,529
Less: Allowance for uncollectible accounts	(541,161)	(17,060)	(5,098)	(776,358)	\$ (1,339,677)	
Net receivable	\$ 1,364,939	\$ 890,626	\$ 51,891	\$ 2,048,073		\$ 4,355,529

Component Units -

	Due from federal government	Loans	Other	Allowance for uncollectibles	Net receivable
MBTA	\$ 7,500	\$ 0	\$ 28,158	\$	\$ 35,658
RTA's	3,546		4,497		8,043
WPAT	82,542	352,315	7,701		442,558
MCCA			400	(63)	337
Economic Development	12,320	78,237	4,870	(7,786)	87,641
Subtotal	105,908	430,552	45,626		574,237
Less: Allowance for uncollectible accounts	(320)	(3,772)	(3,757)	\$ (7,849)	
Net receivable	\$ 105,588	\$ 426,780	\$ 41,869		\$ 574,237

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5. RECEIVABLES AND PAYABLES BETWEEN FUNDS AND COMPONENT UNITS:

Receivables and payables between funds and component units at June 30, 1994 are summarized as follows (amounts in thousands):

	<u>Due from</u>	<u>Due to</u>
General Fund:		
Component Units:		
MBTA	\$	\$ 267,914
RTA		45,384
MCCA		10,120
Economic Development Authorities		2,810
Trust and Agency Funds:		
Pension Trust	3,677	
University and College Fund:		
Current - Unrestricted	6,220	
Subtotal	<u>9,897</u>	<u>326,228</u>
Special Revenue Funds:		
Capital Projects Funds:		
Highway		
Local Aid	149,972	
Other		
Component Units:		
MBTA		93,106
RTA		7,647
Economic Development		10
Subtotal	<u>149,972</u>	<u>100,763</u>
Capital Projects Funds:		
Special Revenue Funds:		
Local Aid		149,972
Capital Projects Funds:		
Highway	19,957	
Federal Highway Construction		20,632
Other	675	
Component Units:		
RTA		1,802
WPAT		16,378
Subtotal	<u>20,632</u>	<u>188,784</u>
Fiduciary Funds:		
Expendable Trust Funds:		
Expendable Trust		2,487
Unemployment Compensation	2,487	
Pension Trust Funds:		
General Fund		3,677
Subtotal	<u>2,487</u>	<u>6,164</u>
University and College Fund:		
General Fund		6,220
University and College Fund:		
Current - Unrestricted	23,395	655
Current - Restricted	15	27,515
Loan		11
Endowment	390	
Plant	4,659	278
Subtotal	<u>28,459</u>	<u>34,679</u>

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

(Continued):		Due from	Due to
Component units:			
General Fund		326,228	
Special Revenue:			
Federal Grants		10	
Highway Fund		100,753	
Capital Projects Funds:			
General		1,802	
Local Aid		16,378	
	Subtotal	<u>445,171</u>	<u>0</u>
Total		<u>\$ 656,618</u>	<u>\$ 656,618</u>

6. FIXED ASSETS:

Primary Government-

General Fixed Asset Account Group - Changes in general fixed assets by category at June 30, 1994 are as follows (amounts in thousands):

	Balance at June 30, 1993	Additions and adjustments	Retirements and adjustments	Balance at June 30, 1994
Land	\$ 407,904	\$ 47,529	\$ 344	\$ 455,089
Buildings	2,112,155	132,952	21,055	2,224,052
Machinery and equipment	347,039	88,746	66,402	369,383
Construction in progress	<u>145,132</u>	<u>12,504</u>	<u>139,478</u>	<u>18,158</u>
Total	<u>\$ 3,012,230</u>	<u>\$ 281,731</u>	<u>\$ 227,279</u>	<u>\$ 3,066,682</u>

College and University Fund Type -

Fixed assets consist of the following at June 30, 1994 (amounts in thousands):

Land and improvements	\$ 41,129
Buildings	1,633,311
Equipment	483,410
Construction in progress	<u>12,291</u>
	2,170,141
Less: accumulated depreciation (hospital and group practice plan)	<u>112,066</u>
Total	<u>\$ 2,058,075</u>

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Component Units -

Fixed assets reported in the Commonwealth's Component Units consist of the following at June 30, 1994 (amounts in thousands):

	<u>Amount</u>
Land and improvements	\$ 243,875
Structures and improvements	4,166,110
Equipment, furniture, fixtures and vehicles	<u>1,491,754</u>
Total	5,901,739
Less accumulated depreciation	<u>1,402,849</u>
Net fixed assets	4,498,890
Property held for expansion	7,439
Construction in progress	<u>316,889</u>
Total	<u>\$ 4,823,218</u>

7. SHORT-TERM FINANCING AND CREDIT AGREEMENTS:

Primary Government -

Section 47 of Chapter 29 of the Massachusetts General Laws authorizes the Treasurer to issue temporary notes in anticipation of revenue or bond financing. When this short-term debt does not meet long-term refinancing criteria, it is classified among fund liabilities.

General Fund - As authorized by Chapter 161A of the Massachusetts General Laws, the Commonwealth issues short-term notes to finance working capital advances to the MBTA. The Commonwealth retires these notes through subsequent appropriations and assessments to cities and towns. The notes outstanding at June 30, 1994, totaled \$240,000,000, with an interest rate of 3.4% and a yield of 2.86%. The notes matured in November, 1994.

The balance of revenue anticipation notes (RAN's) fluctuates during the fiscal year but must be reduced to zero at June 30. During the course of fiscal year 1994, amounts outstanding for the RAN's ranged from zero to \$250,000,000.

Capital Projects Funds - The Commonwealth has issued five-year term minibonds, which are redeemable upon demand, to finance its capital projects. At June 30, 1994, minibonds outstanding in the Capital Projects Funds totaled \$49,062,000, with interest rates ranging from 5.0% to 8.0%.

The Commonwealth may issue bond anticipation notes (BAN's) to temporarily finance its capital projects, but it must reduce the balance to \$200,000,000 at June 30. BAN's ranged from zero to \$180,000,000 during FY94, with no such notes outstanding at June 30, 1994.

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Letter of Credit Agreements - During fiscal year 1994, the Commonwealth maintained letter of credit agreements with several banks in order to provide credit and liquidity support for its commercial paper program. The letters of credit were available to secure up to \$600,000,000 of Commonwealth commercial paper plus interest thereon. Advances were available, subject to certain limitations and bearing interest at the bank rate as defined, in anticipation of revenue or bond proceeds and repayable by the following June 30, subject to extension in certain circumstances, at the Commonwealth's option. No such advances were drawn during the fiscal year ended June 30, 1994, or subsequent thereto. These agreements expire September 30, 1994 through October 29, 1994. The average costs are approximately 0.3% on unutilized amounts and approximately 0.4% on utilized amounts.

Subsequent to June 30, 1994, the Commonwealth established a line of credit with a bank to provide liquidity support for up to \$200,000,000 of commercial paper notes, which line of credit expires September 30, 1996. In addition, the Commonwealth entered into letter of credit agreements with two banks to provide credit and liquidity support for up to \$400,000,000 of commercial paper notes, plus interest thereon. These letters of credit expire on September 30, 1996 and October 31, 1996, respectively. The average costs of all three facilities are approximately 0.077% on unutilized amounts and approximately 0.11% on utilized amounts.

Line of Credit Agreement - The Commonwealth maintained a revolving line of credit agreement with a bank through June 30, 1994, in the amount of \$150,000,000. Under this agreement, interest was charged at the lesser of the federal funds rate plus 1.5%, or prime, with commitment fees payable quarterly on the excess of the commitment amount over the average daily outstanding principal amount drawn. Commitment fees totaled \$75,000. This line of credit agreement was not utilized during the fiscal year and was allowed to expire on June 30th.

In December, 1990, the University of Massachusetts Medical School Teaching Hospital Trust obtained a \$11,000,000 loan to finance the construction of a building. The loan is payable over 13 years and the Teaching Hospital has been making payments in accordance with the loan agreement since September 1993.

Component Units -

MBTA short-term notes payable outstanding at June 30, 1994 totaled \$365,000,000. Of this amount, \$180,000,000 are due September 30, 1994 with an interest rate of 3.5% and \$185,000,000 mature March 1, 1995 with an interest rate of 3.75%.

The MBTA also issued commercial paper to act as financing for capital expenditures. At June 30, 1994, \$8,000,000 of this commercial paper was outstanding.

Subsequent to June 30, 1994, The Massachusetts Bay Transportation Authority issued \$180,000,000 of revenue anticipation notes carrying an interest rate of 5%. The notes mature on September 8, 1995.

The RTA's had the following short-term notes payable outstanding at June 30, 1994: Pioneer Valley \$11,000,000; Merrimack Valley \$7,647,000; Southeast Regional \$6,002,000; Worcester Regional \$12,579,000; Brockton Area \$7,095,000; Montachusett \$7,300,000; all other Regional Transit Authorities \$14,049,000. All notes mature during fiscal year 1995 and have interest rates ranging from 2.6% to 4.1%.

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Subsequent to June 30, 1994, the Brockton Area Transit Authority issued \$7,800,000 in revenue anticipation notes with an interest rate of 4% and due in July 1995. Also subsequent to June 30, 1994, the Pioneer Valley Transit Authority refinanced \$11,000,000 of bond anticipation notes.

As of June 30, 1994, the Economic Development Authorities have \$661,000 outstanding in short-term notes.

8. LONG-TERM DEBT:

The Commonwealth may borrow money (a) for defense, or in anticipation of receipts from taxes or other sources, any such loan to be paid out of the revenue of the year in which the loan is made, or (b) by a two-thirds vote of the members of each house of the Legislature present and voting thereon. In addition, the Commonwealth may give, loan or pledge its credit by a two-thirds vote of the members of each house of the Legislature present and voting thereon, but such credit may not in any manner be given or loaned to or in aid of any individual, or of any private association, or of any corporation which is privately owned or managed.

The Commonwealth has waived its sovereign immunity and consented to be sued on contractual obligations, including bonds and notes issued by it and all claims with respect thereto. However, the property of the Commonwealth is not subject to attachment or levy to pay a judgment, and the satisfaction of any judgment generally requires legislative appropriation. Enforcement of a claim for the payment of principal or interest on bonds and notes of the Commonwealth may also be subject to the provisions of federal or Commonwealth statutes, if any, enacted to extend the time for payment or impose other constraints upon enforcement.

As of June 30, 1994, the Commonwealth had three types of bonds outstanding: general obligation, dedicated income tax and, special obligation.

The general obligation bonds are authorized and issued primarily to provide funds for Commonwealth-owned capital projects and local government improvements. They are backed by the full faith and credit of the Commonwealth and paid from the Governmental Funds, in which debt service principal and interest payments are appropriated. Massachusetts General Laws provide for the allocation of bond proceeds to these authorizations in arrears, as expenditures are made, unless the proceeds are allocated at the time of issuance.

The dedicated income tax bonds relate entirely to the deficit financing authorization of fiscal year 1990. As a remedy to that financial situation, the Legislature authorized bonds, to be repaid from tax revenues within seven years.

During fiscal year 1992 and again during fiscal year 1994, the Commonwealth issued special obligation revenue bonds as authorized under Massachusetts General Laws. Such bonds may be secured by all or a portion of revenues credited to the Highway Fund and are not general obligations of the Commonwealth. At June 30, 1994, the Commonwealth had outstanding \$403,770,000 of such bonds, secured by a pledge of 6.86 cents of the 21 cent per gallon motor fuel excise tax collected on gasoline.

For financial reporting purposes, long-term bonds are carried at their face amount, which includes discount and any issuance costs financed. The outstanding amount represents the total principal to be repaid; for

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capital appreciation bonds, it represents total principal and interest to be repaid. When short-term debt has been refinanced on a long-term basis, it is reported as outstanding as its face amount.

The amount of bonds authorized but unissued is measured in accordance with Commonwealth statutes. Only the net proceeds of bonds (exclusive of discount and costs of issuance) are deducted from the total authorized by the Legislature.

General obligation, dedicated income tax and special obligation long-term bonds outstanding (including discount and issuance costs) and bonds authorized-unissued at June 30, 1994, are as follows (amounts in thousands):

Purpose	Outstanding		Authorized -unissued
	Amount	Maturity dates	Amount
Deficit reduction:			
Fiscal recovery	\$ 839,810	1994-1998	\$ 57,274
Capital projects:			
General	4,965,236	1994-2014	2,613,220
Highway	2,427,619	1994-2014	965,681
Local aid	1,105,083	1994-2013	855,998
Other	89,997	1994-2025	20,124
Capital projects bonds	8,587,935		4,455,023
Total	\$ 9,427,745		\$ 4,512,297

Interest rates on the Commonwealth's bonded debt outstanding at June 30, 1994 ranged from 1.10% to 14.12%.

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Changes in long-term bonds (including discount and issuance costs) and bonds authorized unissued for the year ended June 30, 1994, are as follows (amounts in thousands):

	<u>Bonds outstanding</u>	<u>Authorized -unissued</u>
Balance, July 1, 1993	\$ 9,231,458	\$ 4,614,367
General and special obligation bonds:		
Principal less discount and issuance costs	690,206	(690,206)
Discount and issuance costs	9,794	
General obligation refunding bonds:		
Principal less discount and issuance costs	835,796	
Discount and issuance costs	7,200	
Bonds retired	(1,346,709)	
Increase in bonds authorized		612,611
Expiration of authorizations		(24,475)
Balance, June 30, 1994	<u>\$ 9,427,745</u>	<u>\$ 4,512,297</u>

At June 30, 1994, debt service requirements to maturity for principal (including discount and issuance costs) and interest are as follows (amounts in thousands).

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1995	\$ 646,279	\$ 490,506	\$ 1,136,785
1996	666,961	453,264	1,120,225
1997	694,365	410,257	1,104,622
1998	618,262	368,262	986,524
1999	543,937	338,349	882,286
2000 and thereafter	6,257,941	2,097,805	8,355,746
Total	<u>\$ 9,427,745</u>	<u>\$ 4,158,443</u>	<u>\$ 13,586,188</u>

Subsequent to June 30, 1994, the Commonwealth issued \$250,000,000 in general obligation bonds, with interest rates ranging from 5.0% to 6.0%, and \$200,000,000 in general obligation bonds, with interest rates ranging from 5.5% to 7%.

Statutory Debt Limit - In fiscal year 1990, Massachusetts General Laws were amended to establish a limit on the amount of direct debt outstanding, effective at the beginning of fiscal year 1991. By statutorily limiting the Commonwealth's ability to issue direct debt, these amendments provide a control on annual capital spending. The first-year limit was \$6,800,000,000, with an increase of 5% allowed in each successive fiscal year. The statutory debt limit for fiscal year 1994 was \$7,871,850,000.

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For purposes of determining compliance with the limit, direct debt is defined to include general obligation bonds and minibonds at the amount of their original net proceeds. It excludes discount and issuance costs, if any, financed by these bonds. It also excludes dedicated income tax bonds, certain special obligation bonds, refunded bonds, certain refunding bonds and bond anticipation notes. Outstanding direct debt, as defined, totaled approximately \$7,392,292,000 at June 30, 1994.

Advance Refundings and Defeased Bonds - As authorized by the Massachusetts General Laws, the Commonwealth advance refunded certain general obligation and other bonds through the issuance of \$842,995,000 of general obligation refunding bonds during fiscal year 1994. Proceeds totaling approximately \$839,094,000 were used to purchase U.S. Government securities which were deposited in irrevocable trusts with an escrow agent to provide for all future debt service payments of the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the liabilities therefore have been removed from the General Long-term Obligations Account Group. As a result of these advance refundings, the Commonwealth decreased current year debt service payments and has taken advantage of lower interest rates, and it has decreased its aggregate debt service payments by approximately \$65,942,000 over the next 20 years and incurred an economic gain (the difference between the present values of the debt service payments of the refunded and refunding bonds) of approximately \$49,339,000. At June 30, 1994, approximately \$749,925,000 of the bonds refunded remain outstanding and are considered defeased.

In prior years, the Commonwealth also defeased certain general obligation and other bonds by placing the proceeds of bonds in irrevocable trusts to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the financial statements. At June 30, 1994, approximately \$2,577,000,000 of bonds outstanding from advance refundings in prior fiscal years are considered defeased.

Changes in General Long-term Obligations - The Commonwealth records its liability for long-term bonds in the General Long-term Obligations Account Group. Other general long-term obligations recognized by the Commonwealth are its obligations under capital lease agreements (Note 12), school construction grants to partially reimburse cities and towns for their debt service payments on bonds issued to finance construction of local or regional schools (Note 1), compensated absences (Note 1), unfunded pension costs (Note 10) and claims and judgments related to workers' compensation, lawsuits or other claims pending or threatened (Notes 1 and 14).

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General Long Term Debt Obligations Account Group - During the year ended June 30, 1994, the following changes occurred in liabilities reported in the General Long-term Obligations Account Group (amounts in thousands):

	Long-term bonds	Capital leases	School construction grants	Compensated absences
Balance, July 1, 1993	\$ 9,231,458	\$ 33,329	\$ 1,926,082	\$ 76,280
Bond issuances	1,526,002			
Bond discount	16,994			
Bond principal payments (excluding minibonds)	(1,346,709)			
Excess of total pension contributions required over total contribu- tions made				
Net increase (decrease)		17,625	144,627	5,543
Balance, June 30, 1994	\$ 9,427,745	\$ 50,954	\$ 2,070,709	\$ 81,823

	Unfunded pension costs	Claims, judgments and other	Total
(Continued):			
Balance, July 1, 1993	\$ 2,362,254	\$ 401,864	\$ 14,031,267
Bond issuances			1,526,002
Bond discount			16,994
Bond principal payments (excluding minibonds)			(1,346,709)
Excess of total pension contributions required over total contribu- tions made	217,178		217,178
Net increase (decrease)		33,731	201,526
Balance, June 30, 1994	\$ 2,579,432	\$ 435,595	\$ 14,646,258

University and College Fund - Building authorities related to the University of Massachusetts and the state colleges have issued bonds for construction of higher education facilities and equipment. Such bonds are guaranteed by the Commonwealth in an aggregate amount not to exceed \$182,000,000. The bond agreements generally provide that revenues from student fees are pledged as collateral on the bonds and establish bond reserve funds, bond funds, and maintenance reserve funds. The University of Massachusetts has also entered into various loan agreements as a participant in the Massachusetts Health and Educational Facilities Authority's ongoing capital asset program to finance construction projects and equipment.

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University and College Fund long-term debt outstanding at June 30, 1994 was as follows (amounts in thousands):

<u>Purpose</u>	<u>Interest rates</u>	<u>Amount</u>	<u>Maturity dates</u>
MHEFA capital asset program	Variable	\$ 10,666	1995-2006
Building authorities	3.0% - 9.9%	<u>237,580</u>	1995-2018
		<u>\$ 248,246</u>	

Maturities of principal are as follows (amounts in thousands):

<u>Years ending June 30</u>	<u>Amount</u>
1995	\$ 8,131
1996	8,597
1997	9,004
1998	9,820
1999	10,997
2000 and thereafter	<u>201,697</u>
Total	<u>\$ 248,246</u>

Changes in bonds outstanding reported in the University and College Fund Type are as follows (amounts in thousands):

	<u>Amount</u>
Balance, July 1, 1993	\$ 255,159
Principal less issuance and discount cost	398
Bonds retired, net of amortization of discount	<u>(7,311)</u>
Balance, June 30, 1994	<u>\$ 248,246</u>

The University of Massachusetts acquired a telecommunications system through debt financed through certificates of participation which bear interest at an average rate of 7.38% and mature in varying semi-annual installments through fiscal year 2000. Lease payments are funded from UMass student fees and approximate the trustee's payments to certificate holders.

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Changes in non-cancelable certificates of participation for the University and College Fund Type are as follows (amounts in thousands):

Years ending June 30	Amount
1995	\$ 2,668
1996	2,670
1997	2,671
1998	2,668
1999 and thereafter	5,344
Total payments	16,021
Less: Amount representing interest	(3,334)
Present value of debt financed	\$ 12,687

At June 30, 1994, approximately \$87,834,000 of bonds from prior advance refundings of the University and College Fund building authorities are considered defeased.

Component Units -

Bonds and notes outstanding at June 30, 1994, net of unamortized discount of \$15,421,000 and unamortized deferred loss on refunding of \$125,660,000 are as follows (amounts in thousands):

Purpose	Interest rates	Amount	Maturity dates
MBTA:			
General transportation system	3.83% - 8.00%	\$ 2,024,963	2005 - 2024
Boston Metropolitan District	1.61% - 9.28 %	49,477	2002 - 2025
RTA's:			
Transportation bonds		45	1995 - 1997
MCCA:			
Current interest serial bonds	2.50% - 6.00%	132,096	1994 - 2008
Compound interest serial bonds	5.38% - 6.80%	58,142	2000 - 2013
WPAT:			
Serial Bonds	2.00% - 5.50%	232,535	1995 - 2011
Term Bonds	5.25% - 5.60%	87,000	2013 - 2014
Economic Development:			
Notes Payable	7.87%	17,248	1995 - 2001
Total		\$ 2,601,506	

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Maturities of principal are as follows (amounts in thousands):

Years ending June 30	MBTA	RTA's	MCCA	WPAT	Economic Development	Total
1995	\$ 75,478	\$ 15	\$ 17,235	\$ 12,195	\$ 2,098	\$ 107,021
1996	69,559	15	18,105	11,920	1,883	101,482
1997	72,434	15	19,105	12,235	2,111	105,900
1998	75,077		20,195	12,695	3,590	111,557
1999 and thereafter	1,922,159		116,259	270,490	7,719	2,316,627
Total	\$ 2,214,707	\$ 45	\$ 190,899	\$ 319,535	\$ 17,401	\$ 2,742,587

The amounts above represent the face amount of bonds and notes outstanding and may differ from the amounts included in the combined balance sheet due to treatment of original issue discount in the general purpose financial statements.

During the fiscal year ended June 30, 1994, the following changes occurred in bonds and notes payable reported in the Component Units (amounts in thousands):

	MBTA	RTA's	MCCA	WPAT	Economic Development	Total
Balance, July 1, 1993	\$ 1,925,467	\$ 115	\$ 163,539	\$ 148,575	\$ 670	\$ 2,238,366
Principal less discount and issuance costs	544,415		30,909	178,085	18,678	772,087
Debt retired, net of amortization of discount	(369,242)	(70)	(4,210)	(7,125)	(2,100)	(382,747)
Deferred loss on refunding	(26,200)					(26,200)
Balance, June 30, 1994	\$ 2,074,440	\$ 45	\$ 190,238	\$ 319,535	\$ 17,248	\$ 2,601,506

The MBTA issued certificates of participation in the amounts of \$28,565,000 on December 15, 1988 and \$85,795,000 on August 30, 1990 to finance the purchase of commuter rail coaches. Under the terms of the applicable agreement, the MBTA's obligation to make the annual payments on the certificates is subject to the Commonwealth's appropriation of necessary funds in its annual budget. The certificates bear interest at rates ranging from 6.1% to 7.8% and mature as follows (amounts in thousands):

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Year ending June 30	Amount
1995	\$ 2,770
1996	2,875
1997	2,990
1998	3,110
1999 and thereafter	92,325
	104,070
Less: Unamortized discount	736
Total	<u>\$ 103,334</u>

During fiscal year 1994, the MBTA raised \$344,415,000 through the issuance of refunding bonds to advance refund \$343,920,000 of its outstanding general transportation system bonds. Net proceeds of \$363,000,000 were used to purchase U.S. Government securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the MBTA's refunded bonds are considered to be defeased, and the liability for those bonds has been removed from the Component Units. This advance refunding resulted a loss on defeasance of \$26,200,000, which is being amortized as a component of interest cost in accordance with the requirements of GASB Statement No. 23, "Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities". As a result of the advance refunding, the MBTA reduced its aggregate debt service payments by approximately \$14,600,000 from fiscal year 1994 to 2022 and achieved an economic gain of approximately \$14,100,000.

In prior years, the Massachusetts Bay Transportation Authority defeased in-substance several General Transportation System Bonds by placing the proceeds of new bonds in an irrevocable trust fund to provide for future debt service payments on the old debt. These payments began in 1994. Accordingly, the trust account asset and the liability for the defeased bonds are not included in the accompanying financial statements. On June 30, 1994, \$825,510,000 of these bonds outstanding are considered defeased.

The legislation under which the MBTA was established provides that if, at any time, the MBTA is unable to meet any interest or principal payments due on its debt, sufficient funds will be remitted by the Commonwealth to meet such obligations.

The legislation which authorizes the issuance of Massachusetts Convention Center Authority debt securities provides for participation by the Commonwealth in the full payment of the annual debt service costs.

On October 1, 1994, the Massachusetts Water Pollution Abatement Trust issued bonds of \$80,925,000 of tax-exempt bonds. A portion of the proceeds was used to refinance interim loans issued to South Essex Sewerage District during year 1994.

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9. INDIVIDUAL FUND DEFICITS:

The General Fund, certain Special Revenue Funds and Capital Projects Funds included in the combined totals have fund deficits at June 30, 1994, as follows (amounts in thousands):

<u>Fund</u>	<u>Amount</u>
General	\$ 923,682
Special Revenue:	
Lotteries	1,957
Capital Projects:	
General	212,914
Highway	85,852
Local Aid	70,917
Other	4,962

The deficit in the General Fund reflects the accrual of liabilities for Medicaid claims at June 30, 1994, and for subsidies to transit authorities for operating deficits incurred but not yet funded. These liabilities will be paid in subsequent periods as the Legislature appropriates funds. The deficits in the Lotteries Funds reflect the impact of accruals, created essentially by timing differences, which reverse in the next fiscal year.

In the Capital Projects Funds, the recognition of minibonds as fund liabilities accounts for \$49,062,000 of the reported fund deficits. The remaining deficits reflect the time lag between capital expenditures and the receipt or allocation of proceeds from the sale of related bonds. Subsequently on August 9, 1994, the Commonwealth issued \$250,000,000 in general obligation bond related to the capital projects funds.

10. RETIREMENT SYSTEMS:*Primary Government -*

The Commonwealth is statutorily responsible for the pension benefits for Commonwealth employees (members of the State Employees' Retirement System) and for teachers of the cities, towns, regional school districts throughout the Commonwealth and Quincy College (members of the Teachers' Retirement System, except for teachers in the Boston public schools, who are members of the State-Boston Retirement System but whose pensions are also the responsibility of the Commonwealth). Employees of certain independent authorities and agencies, such as the MBTA, and of counties, cities and towns (other than teachers) are covered by separate retirement systems. The members of the retirement systems do not participate in the Social Security System. The Commonwealth has also assumed responsibility for payment of cost-of-living adjustments (COLA) for the separate (non-teacher) retirement systems of its cities, towns and counties.

Certain Commonwealth employees and current retirees employed prior to the establishment of the State Employees' Retirement System are covered on a "pay-as-you-go" basis.

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Plan Descriptions -

State Employees' Retirement System (SERS) is a single employer defined benefit public employee retirement system (PERS), covering substantially all employees of the Commonwealth and certain employees of the independent authorities and agencies. The SERS is administered by the Commonwealth and is part of the reporting entity.

Teachers' Retirement System (TRS) is an agent multiple employer defined benefit PERS. The Commonwealth is a non-employer contributor and is responsible for all contributions and future benefit requirements of the TRS. The TRS covers certified teachers in cities (except the City of Boston), towns, regional school districts and Quincy College. The TRS is administered by the Commonwealth and is part of the reporting entity.

State - Boston Retirement System (SBRS) is an agent multiple employer defined benefit PERS. SBRS provides provision benefits to all full-time employees upon commencement of employment with any of the various government agencies covered by SBRS. The Commonwealth is a non-employer contributor and is only responsible for the actual cost of pension benefits for SBRS participants who serve in the City of Boston's School Department in a teaching capacity. The cost of pension benefits of the other participants is the responsibility of the City of Boston. SBRS is not administered by the Commonwealth, and it is not part of the reporting entity.

The Commonwealth has assumed financial responsibility for the COLA granted to participants in the retirement systems of cities, towns and counties. Any future COLA granted by the Legislature to employees of these plans will also be the responsibility of the Commonwealth. The individual employer governments are responsible for the basic pension benefits. The retirement systems are not administered by the Commonwealth and are not part of the reporting entity.

Membership - Current membership in SERS, TRS as of January 1, 1993 and SBRS as of January 1, 1994 is as follows:

	SERS	TRS	SBRS
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	45,419	30,168	2,354
Current employees:			
Vested	36,398	44,782	3,872
Nonvested	47,114	17,206	2,011
Subtotal	83,512	61,988	5,883
Total	128,931	92,156	8,237

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The covered payroll for employees of the Commonwealth covered by SERS was \$3,094,000,000. The covered payroll for employees of the cities and towns covered by TRS is \$2,573,506,000. The covered payroll for employees of the City of Boston covered by SBRS is \$217,958,000. The covered payroll amounts approximate the employer payroll.

Benefit Provisions - Massachusetts General Laws establish uniform benefit and contribution requirements for all contributory PERS. These requirements provide for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, and group classification.

Retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. Average retirement benefit is approximately 80-85% pension and 15-20% annuity.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65; for certain hazardous duty and public safety positions, normal retirement is at age 55.

Funding Status and Progress - The amounts shown below as the pension benefit obligation are a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the System on an ongoing basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarially determined present value of credited projected benefits and is independent of the funding method used to determine contributions to the System.

The SERS and TRS pension benefit obligations were computed as part of the actuarial valuation as of January 1, 1993, updated to January 1, 1994. The SBRS pension benefit obligations were computed as part of an actuarial valuation as of January 1, 1994. Significant actuarial assumptions used in the calculation of contribution requirements and pension benefit obligation include (a) rates of return on investments of present and future assets of 8% per year (b) projected salary increases of 6% per year (c) cost of living increases of 3% per year and (d) interest rate credited to the annuity savings fund of 3.1% per year.

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The total unfunded pension benefit obligation is as follows (amounts in millions):

	<u>SERS</u>	<u>TRS</u>	<u>SBRS</u>	<u>COLA</u>	<u>Total</u>
Pension benefit obligation:					
Retirees and others currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	\$ 4,288	\$ 3,101	\$ 312	\$ 1,452	\$ 9,153
Current employees:					
Accumulated employee contributions including allocated interest	1,932	2,199	190		4,321
Commonwealth financed:					
Non-vested	668	288	30	93	1,079
Vested	<u>2,069</u>	<u>3,370</u>	<u>186</u>	<u>492</u>	<u>6,117</u>
Total pension benefit obligation	8,957	8,958	718	2,037	20,670
Net assets available for benefits, at market	<u>5,802</u>	<u>5,956</u>	<u>443</u>		<u>12,201</u>
Unfunded pension benefit obligation	<u>\$ 3,155</u>	<u>\$ 3,002</u>	<u>\$ 275</u>	<u>\$ 2,037</u>	<u>\$ 8,469</u>

Pension benefit obligation -

Contributions Required and Contributions Made - The retirement systems' funding policies have been established by statute. The annuity portion of the SERS, TRS and SBRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation - 5% for those hired before January 1, 1975, 7% for those hired from January 1, 1975, through December 31, 1983, and 8% for those hired on or after January 1, 1984, plus an additional 2% of compensation above \$30,000 per year for those hired on or after January 1, 1979.

The Commonwealth's contribution for the pension benefit portion of the retirement allowance of SERS and TRS and required payments to cover SBRS and COLA contributions were originally established on a "pay-as-you-go" basis. As a result, amounts were appropriated each year to pay current benefits, without a systematic provision to fully fund future liabilities already incurred. Beginning in fiscal year 1988, the Commonwealth enacted the Pension Reform Act of 1987 and addressed the unfunded liability of SERS, TRS and its participation in SBRS and its COLA obligation. This legislation requires funding on a current basis, including amortizing the unfunded liabilities and liabilities for future COLA payments to local systems, over 40 years.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

This legislation also directs the Secretary for Administration and Finance to prepare a funding schedule to meet these requirements, and to update this funding schedule every three years on the basis of new actuarial valuation reports prepared under the Secretary's direction. Any such schedule is subject to legislative approval. If a schedule is not so approved, payments are to be made in accordance with the most recently approved schedule. This legislation further provides that if, during the first ten years of scheduled payments, the pension benefits paid exceed the scheduled contribution, the Commonwealth's contribution shall equal these benefit payments.

The current legislatively approved funding schedule, based on the January 1, 1990 valuation, was filed with the Legislature on March 1, 1991. It required contributions by the Commonwealth of \$806,584,000 during the fiscal year ended June 30, 1994. Because total benefit payments exceeded this amount, no additional Commonwealth contribution was required.

GAAP requires that pension expenditures (costs) be based on an acceptable actuarial cost method and that they not be less than:

- Normal cost
- Interest on any unfunded prior service costs
- A provision for vested benefits when the total present value of vested benefits exceeds by 5% or more the value of the plan

The funding schedule discussed above follows an acceptable actuarial funding methodology to compute normal cost and the unfunded accrued actuarial liability. However, the amortization of the accrued actuarial liability has been legislatively determined to be significantly lower in the first years of the 40-year funding period. Therefore, the fiscal year 1994 contribution did not cover the minimum expenditure recognition required by GAAP. The difference between the total contributions required and the total contributions made is recorded as a liability in the General Long-term Obligations Account Group.

**COMMONWEALTH OF MASSACHUSETTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 1994**

Contributions required and made based on the minimum expenditure recognition required by GAAP are as follows (amounts in millions):

	<u>SERS</u>	<u>TRS</u>	<u>SBRS</u>	<u>COLA</u>	<u>Total</u>
Minimum contribution requirement:					
Normal cost	\$ 430	\$ 320	\$ 25	\$ 51	\$ 826
Amortization of unfunded actuarial liability	161	104	9	98	372
Interest on unfunded actuarial liability	<u>100</u>	<u>111</u>	<u>10</u>	<u>64</u>	<u>285</u>
Total contributions required	<u>\$ 691</u>	<u>\$ 535</u>	<u>\$ 44</u>	<u>\$ 213</u>	<u>\$ 1,483</u>
Contributions made:					
By employees	\$ 212	\$ 174	\$ 14	\$ 0	\$ 400
% of covered payroll	6.90%	6.75%	6.50%	N/A	N/A
By the Commonwealth	415	329	28	94	866
% of covered payroll	<u>13.40%</u>	<u>12.80%</u>	<u>12.90%</u>	<u>N/A</u>	<u>N/A</u>
Total contributions made	<u>\$ 627</u>	<u>\$ 503</u>	<u>\$ 42</u>	<u>\$ 94</u>	<u>\$ 1,266</u>

The total contributions required for SERS, TRS and SBRS are based on the entry age normal cost method using the same actuarial assumptions used to compute the pension benefit obligation.

During the year ended June 30, 1994, the Commonwealth's pension expenditure also included payments totaling \$22,209,000 to current retirees employed prior to the establishment of the current plans and to non-contributory plans.

 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

Trend Information - The following table presents the required three-year trend information:

	<u>Year</u>	<u>% SERS</u>	<u>% TRS</u>	<u>% SBRS</u>
Net assets available for benefits as a percentage of the pension benefit obligation applicable to employees:	1994	64.7	66.5	61.6
	1993	60.3	60.9	52.7
	1992	66.6	58.1	48.5
Unfunded pension benefit obligation as a percentage of annual covered payroll:	1994	101.9	116.7	126.5
	1993	114.4	135.8	161.9
	1992	89.5	169.6	197.2
Commonwealth's contributions to the pension plan as a percentage of annual covered payroll:	1994	13.8	12.8	12.9
	1993	14.3	12.5	13.2
	1992	12.7	14.0	14.4

Ten-year historical trend information for SERS, TRS and SBRS may be found on page 170 of the Commonwealth's Comprehensive Annual Financial Report. This report presents information about progress made in accumulating sufficient assets to pay benefits when due.

Certain information was not available for SERS, TRS and the Commonwealth's participation in SBRS. Total annual payroll for SERS, TRS and SBRS approximates annual covered payroll; however, actual annual total payroll amounts are not available this year, and have not been available in prior years. Annual covered payroll amounts were not available prior to 1990. Ten-year trend data of SBRS for revenues and expenditures is not available in their separately issued report.

Component Units -

Condensed Pension Information - Of the 27 discretely presented component units 22 maintain separate pension plans.

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Postretirement Health Care and Life Insurance Benefits - In addition to providing pension benefits, the Commonwealth is statutorily required to provide certain health care and life insurance benefits for retired employees of the Commonwealth, housing authorities, redevelopment authorities, and certain other governmental agencies. Substantially all of the Commonwealth's employees may become eligible for these benefits if they reach retirement age while working for the Commonwealth. Eligible retirees are required to contribute a specified percentage of the health care benefit costs which is comparable to contributions required from employees. The Commonwealth is reimbursed for the cost of benefits to retirees of the eligible authorities and non-state agencies. The Commonwealth recognizes its share of the costs of providing these benefits when paid. These payments totaled approximately \$126,027,000 for the fiscal year ended June 30, 1994.

11. DEFERRED COMPENSATION PLAN:

The Commonwealth offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees of the Commonwealth and its political subdivisions, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Commonwealth (without being restricted to the provision of benefits under the plan), subject only to the claims of the Commonwealth's general creditors and its political subdivisions participating in the plan. Participants' rights under the plan are equal to the fair market value of the deferred account for each participant. All plan assets are stated at market value.

It is the opinion of the Commonwealth that it has no liability for losses under the plan, but it does have the duty of due care which would be required of an ordinary prudent investor. The plan assets are subject to the claims of the Commonwealth's general creditors; however, plan assets have not been used in the past to satisfy such claims.

Of the \$945,401,000 in the plan at June 30, 1994, \$636,500,000 was applicable to the Commonwealth; the remaining \$308,901,000 represents the assets of cities and towns participating in the plan. The assets and liabilities of the deferred compensation plan are included in Agency Funds at June 30, 1994.

12. CAPITAL LEASES:

Primary Government -

In order to finance the acquisition of equipment, the Commonwealth has entered into various lease/purchase agreements, including tax-exempt lease purchase (TELP) agreements which are accounted for as capital leases. These agreements are for various terms and contain clauses indicating that their continuation is subject to appropriation by the Legislature.

At June 30, 1994, the Commonwealth's aggregate outstanding liability under capital leases, the present value of the net minimum lease payments, totals \$50,954,000. This liability is reported in the General Long-term Obligations Accounts Group. Equipment acquired under capital leases and included in the General Fixed Assets Account Group totals approximately \$76,802,000.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

The Commonwealth leases real property and equipment under numerous operating lease agreements for varying terms. These agreements contain clauses which indicate that their continuation is subject to appropriation by the Legislature. Rental expense for the year ended June 30, 1994 was approximately \$100,925,000.

The following is a schedule of future minimum lease payments under non-cancelable leases for the Commonwealth as of June 30, 1994 (amounts in thousands):

Years ending June 30	Capital leases	Operating leases
1995	\$ 18,629	\$ 81,466
1996	14,676	62,520
1997	10,545	50,269
1998	7,071	40,947
1999	5,084	28,451
2000 and thereafter	2,786	8,184
Total payments	58,791	\$ 271,837
Less: amount representing interest	(7,837)	
Present value of minimum lease payments	\$ 50,954	

University and College Fund - At June 30, 1994, aggregate outstanding liability under capital leases, the present value of the net minimum lease payments, totaled \$19,558,000. Equipment acquired under capital leases and included in University and College Fund fixed assets totaled approximately \$14,087,000.

The University and College Fund Type leases real property and equipment under numerous operating lease agreements for varying terms. Rental expense for the fiscal year ended June 30, 1994 was approximately \$5,261,000.

The following schedule summarizes future minimum payments under non-cancelable leases for the University and College Fund Type (amounts in thousands):

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Years ending June 30	Capital leases	Operating leases
1995	\$ 6,173	\$ 4,994
1996	5,150	4,187
1997	3,883	3,161
1998	2,806	2,367
1999	2,112	73
2000 and thereafter	3,339	40
Total payments	23,463	\$ <u>14,822</u>
Less: amount representing interest	(3,905)	
Present value of minimum lease payments	\$ <u>19,558</u>	

Component Units -

The MBTA has entered into several sale-leaseback agreements with major financial institutions, covering equipment and rolling stock, which have been accounted for as operating leases. The leases expire through 2013. Upon termination, the MBTA may purchase the equipment and rolling stock at prices equal to the lesser of a stated percentage (40%-70%) of the lessor's original purchase price or residual fair market value, as defined.

The Economic Development Authorities and the RTA's have operating leases for office space.

The future minimum rental payments required under operating leases having initial or remaining non-cancelable lease terms in excess of one year are as follows (amounts in thousands):

Years ending June 30	MBTA	RTA's	Economic Development Authorities
1995	\$ 12,068	\$ 15,700	\$ 1,047
1996	12,068	9,000	770
1997	12,068		471
1998	12,068		369
1999	13,669		223
2000 and thereafter	188,739		
Total payments	\$ <u>250,680</u>	\$ <u>24,700</u>	\$ <u>2,880</u>

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

13. COMMITMENTS:*Primary Government -*

Governmental Funds - The Commonwealth is obligated to provide annual subsidies to the MBTA and regional transit authorities for contract assistance, debt service assistance and their net cost of service deficiencies. For fiscal year 1994, these subsidies totaled \$606,442,000 for the MBTA and \$47,761,000 for the RTA's. The net cost of service subsidy is recognized as a current liability of the Commonwealth, but is funded in arrears. At June 30, 1994, the Commonwealth has recorded the unpaid portion as a liability due to the MBTA of \$361,020,000 and due to RTA's of \$54,833,000. The cities and towns served by the MBTA and RTA's will be assessed their proportionate shares of the net cost of service. A receivable from cities and towns of \$208,089,000 is recorded at June 30, 1994, to account for these future reimbursements. The MBTA has also recorded net deferred charges of \$81,975,000 at June 30, 1994, which will be included in the Commonwealth's net cost of service subsidy in future periods. The Commonwealth has recognized its liability for these future costs in the General Long-term Obligations Account Group.

The Commonwealth is also statutorily obligated to provide contract assistance for debt service obligations to the MCCA and the Government Land Bank. Such assistance totaled \$17,583,383 in fiscal year 1994.

At June 30, 1994, the aggregate outstanding debt for which the Commonwealth is obligated to provide contract assistance support totaled approximately \$2,442,885,000 long-term and \$433,269,000 short-term. In addition, the Commonwealth guarantees the debt of certain local governments and of the building authorities included in the University and College Fund. The guaranteed debt outstanding at June 30, 1994, was approximately \$235,916,000.

At June 30, 1994, the Commonwealth had commitments approaching \$1,636,000,000 for various construction projects. The majority relate to new construction funding for a major infrastructure program known as the Central Artery Project, in which federal participation is anticipated. The remainder relate to a wide range of building construction projects.

Pension Trust Funds - At June 30, 1994, PRIT had outstanding commitments to invest \$281,000,000 in real estate, \$18,000,000 in venture capital and \$208,000,000 in special equity investments.

University and College Fund Type - The UMass hospital has agreements with Blue Cross of Massachusetts, Inc., the Social Security Administration under the Medicare program and the Commonwealth of Massachusetts under the Medicaid program that govern payments to the hospital for services rendered to patients covered by these programs and require the hospital to prepare and file settlement reports annually. Provisions have been made in the financial statements for the estimated final settlements with such third party payors.

Component Units -

As of June 30, 1994, the WPAT has agreed to provide loans of \$173,000,000 to various local government units to be funded with grant awards received through June 30, 1994.

**COMMONWEALTH OF MASSACHUSETTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 1994**

The MBTA has entered into several long term contracts to purchase commuter rail coaches, locomotives and rapid transit cars. The unpaid amounts under these contracts total approximately \$139,754,000 at June 30, 1994.

The MCCA has entered into a general construction contract for the renovation and rehabilitation of the Boston Common Parking Garage. The total cost, including architectural, engineering and other costs, is expected to be approximately \$35,000,000.

Massachusetts Housing Partnership Fund (MHP) has executed seven loan agreements with five banks for an amount of \$172,644,973 pursuant to the Massachusetts Nationwide Interstate Banking and Community Reinvestment Act (Chapter 102 of the Acts of 1990). These bank loan agreements are the source of funding to borrowers through MHP.

14. CONTINGENCIES:

Primary Government -

A number of lawsuits are pending or threatened against the Commonwealth which arose from the ordinary course of operations. These include claims for property damage and personal injury, breaches of contract, condemnation proceedings and other alleged violations of law. For those cases in which it is probable that a loss will be incurred and the amount of the potential judgment can be reasonably estimated, the Attorney General estimates the liability to be approximately \$73,500,000. Of this amount approximately \$61,500,000, which is expected to be paid during fiscal year 1995, is recorded in fund liabilities; approximately \$12,000,000 expected to be paid thereafter, is recorded as a liability in the General Long-term Obligations Account Group. Appellate Tax Board cases included in the amount to be paid in 1995 total \$17,500,000.

Workers' compensation and group health insurance costs for Commonwealth employees are recognized when claims are incurred. The Commonwealth's outstanding liability for such claims at June 30, 1994, including claims incurred but not reported, is estimated to be \$341,900,000. Of this total, approximately \$54,100,000 is expected to be paid during fiscal year 1995; \$47,900,000 is included among fund liabilities and \$6,200,000 is reported in the University and College Fund. Of the remainder, approximately \$256,800,000, is recorded as a liability in the General Long-term Obligations Account Group and \$31,000,000 is included in the liabilities of the University and College Fund.

The Commonwealth has assumed responsibility for worker's compensation claims for all contractors and subcontractors working on the Central Artery project. The Commonwealth's liability as of June 30, 1994 for such claims is estimated to be \$86,278,000. The Commonwealth has established reserves through a combination of bond proceeds and federal funds in its capital project funds to pay these liabilities.

The Commonwealth receives significant financial assistance from the federal government. Entitlement to the resources is generally conditional upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all federal financial assistance is subject to financial and compliance audits. Any disallowances become liabilities of the fund which received the assistance. As of June 30, 1994, the Commonwealth estimates that liabilities, if any, which may result from such audits are not material.

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

The Commonwealth's abandoned property law requires deposit of certain unclaimed assets into a managed Agency Fund. The statute requires the excess amount over \$500,000 each June 30 to be remitted to the General Fund, where it is included in miscellaneous revenue. Amounts remitted during fiscal year 1994 totaled \$54,298,192. Since inception, approximately \$484,660,000 has been remitted. This represents a contingency, because claims for refunds can be made by the owners of the property. No material amounts have been repaid.

University and College Fund Type - The University of Massachusetts is contingently liable for \$20,500,000 of Massachusetts Health and Educational Facilities Authority revenue bonds, issued by the University of Massachusetts Foundation, Inc. In the event the Foundation fails to make any payment, the University will transfer any amounts unpaid and due to the Foundation.

Component Units -

The Massachusetts Convention Center Authority was involved in six lawsuits arising primarily as a result of the Phase II expansion and renovation of the Hynes Convention Center since January 1989. Three cases have been dismissed pursuant to a settlement of July 28, 1994 for an amount of \$15,500,000. The authority had retained security deposits of \$12,900,000 plus interest of \$2,600,000 against the cost of the settlement. An initial payment of \$12,500,000 was made in July 1994, and the remaining balance is payable in separate installments during fiscal year 1996 and 1997.

15. ACCOUNTING CHANGE - CHANGE IN REPORTING ENTITY:

For the fiscal year ended June 30, 1994, the Commonwealth adopted Governmental Accounting Standards Board Statement No. 14 (GASB 14), "The Financial Reporting Entity." GASB 14 requires that the financial statements present (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

As a result of the adoption of GASB 14, all entities which have previously been reported within Enterprise Funds are now classified in a discretely presented column labeled component units. In addition, certain entities which have previously been excluded from the reporting entity have been added in the current fiscal year, and three entities which were previously included are now excluded from the reporting entity. See Note 1 for a description of the component units included in the reporting entity.

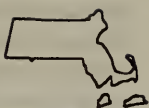
The effect of adopting GASB 14 is to reduce beginning fund equity in the Component Units column (previously reported as Enterprise Funds) by \$2,088,289,000.

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*Combining and Individual Fund and Account Group
Financial Statements,
Schedules and Required Supplementary Information*

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Comparative Financial Statements
General Fund

COMMONWEALTH OF MASSACHUSETTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 1994

GENERAL FUND

The General Fund is the Commonwealth's primary Governmental Fund. All governmental activities not specifically directed to another fund are accounted for in the General Fund. As a result, most budgeted operating expenditures of the Executive secretariats, the Legislature, constitutional offices, and independent commissions and a portion of expenditures for the judicial system are paid from the General Fund. It similarly receives a significant portion of sales, individual income and corporate taxes, and the full amount of most other governmental taxes.

Revenues and expenditures associated with federal reimbursement-based programs are accounted for in the General Fund. These programs have various reimbursement formulas. The Commonwealth is not fully reimbursed for every dollar it spends. For example, the Medical Assistance Program (Medicaid) and Aid for Families with Dependent Children (AFDC) operate on the basis of a 50% reimbursement for costs incurred.

The Commonwealth provides grants and contract assistance to several of the authorities it reports as component units. Most of these grant and contract assistance activities are recorded in the General Fund.

COMMONWEALTH OF MASSACHUSETTS
COMPARATIVE BALANCE SHEET -
GENERAL FUND
JUNE 30, 1994
(Amounts in thousands)

	1994	1993
ASSETS		
Cash and shot-term investments	\$ 33,975	\$ 0
Cash with fiscal agent	786	
Receivables, net of allowance for uncollectibles:		
Taxes	612,921	662,981
Due from federal government	580,130	565,456
Other receivables	179,002	184,460
Due from cities and towns	213,331	203,709
Due from other funds	9,897	15,884
Total assets	\$ 1,630,042	\$ 1,632,490
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 1,239,818	\$ 1,269,207
Accrued payroll	62,098	54,576
Compensated absences	90,493	93,474
Tax refunds and abatements payable	335,988	317,096
Due to other funds		237,938
Due to component units	326,228	248,378
Due to federal government	30,780	13,000
Deferred revenue	95,382	136,364
Claims and judgments	132,937	143,995
Notes payable	240,000	240,000
Total liabilities	2,553,724	2,754,028
Fund deficit:		
Unreserved	(923,682)	(1,121,538)
Total fund deficit	(923,682)	(1,121,538)
Total liabilities and fund balances	\$ 1,630,042	\$ 1,632,490

COMMONWEALTH OF MASSACHUSETTS
COMPARATIVE STATEMENTS OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES -
GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 1994

(Amounts in thousands)

	1994	1993
Revenues:		
Taxes	\$ 6,550,346	\$ 6,215,150
Assessments	207,933	192,072
Federal grants and reimbursements	2,908,959	2,616,844
Departmental	502,139	597,568
Miscellaneous	174,040	347,558
Total revenues	10,343,417	9,969,192
Other financing sources:		
Proceeds of capital leases	33,550	13,297
Operating transfers in	350,455	353,563
Other sources		20,278
Total other financing sources	384,005	387,138
Total revenues and other financing sources	10,727,422	10,356,330
Expenditures:		
Current:		
Legislature	43,096	40,798
Judiciary	62,863	87,829
Inspector General	1,394	1,304
Governor and Lieutenant Governor	4,330	3,680
Secretary of the Commonwealth	9,082	11,955
Treasurer and Receiver-General	95,968	104,224
Auditor of the Commonwealth	10,253	9,394
Attorney General	35,671	33,969
Ethics Commission	512	1,003
District Attorney	8,035	11,087
Office of Campaign and Political Finance	302	539
Disabled Persons Protection Commission	1,514	
Board of Library Commissioners		51
Comptroller	6,369	5,546
Administration and finance	689,556	638,894
Environmental affairs	23,084	29,230

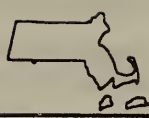
COMMONWEALTH OF MASSACHUSETTS
COMPARATIVE STATEMENTS OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES -
GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 1994

(Amounts in thousands)

	1994	1993
Communities and development	\$ 109,715	\$ 172,354
Health and human services	3,291,038	3,185,776
Transportation and construction	51,194	47,394
Education	488	10,098
Educational affairs	1,956	2,212
Higher education	65,402	67,128
Public safety	330,119	335,147
Economic affairs	16,903	20,625
Elder affairs	125,587	122,300
Consumer affairs	25,845	24,822
Labor	20,898	22,337
Direct local aid		5,318
Medicaid	3,176,777	3,115,361
Pension	233,777	284,708
Debt service:		
Principal retirement	513,278	482,643
Interest and fiscal charges	352,575	390,083
Total expenditures	9,307,581	9,267,809
Other financing uses:		
Operating transfers out	6,923	90,294
Transfers out to component unit	582,453	514,095
Transfers of appropriations	632,609	617,374
Total other financing uses	1,221,985	1,221,763
Total expenditures and other financing uses	10,529,566	10,489,572
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	197,856	(133,242)
Fund deficit at beginning of year	(1,121,538)	(988,296)
Fund deficit at end of year	\$ (923,682)	\$ (1,121,538)

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*Combining Financial Statements -
Special Revenue Funds*

COMMONWEALTH OF MASSACHUSETTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 1994

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to finance specific functions or activities carried out by the Commonwealth.

Federal Grants - to account for federal grant monies that are designated for specific programs, excluding federal highway construction grants, which are accounted for in the Federal Capital Projects Fund, and federal reimbursement programs such as Medicaid, which are accounted for in the General Fund.

Highway - to account for highway user taxes and fees which finance highway maintenance and safety services, and which provide matching funds, as required, for federally sponsored highway projects.

Local Aid - to account for lottery operating surpluses and forty percent of sales, income, corporate and a portion of other taxes which have been earmarked for distribution to cities and towns or are used to finance programs that benefit local communities, and a major portion of the court systems.

Environmental - to account for a variety of fees, fines, and other revenues which finance programs to preserve, protect and enhance the environment.

Lotteries - to account for the operations of the State and Arts Lotteries, which have been established primarily to finance the Local Aid Fund.

Universal Health Care - to account for assessments and other revenues that are dedicated to making health care and health insurance accessible and affordable to all citizens of the Commonwealth

Oil Overcharge - to account for the fines and penalties collected under federal regulation from certain oil companies doing business in the Commonwealth, and interest thereon, being accumulated to provide fuel assistance and weatherization for low income residents.

Other - to account for a variety of miscellaneous taxes, assessments, fees, fines, and other revenues restricted to the financing of specific Commonwealth programs.

On the Commonwealth's statutory basis of accounting, the following funds are reported as Budgeted Special Revenue Funds and included in the Combined Statement of Revenues Expenditures and Changes in Fund Balances - Statutory Basis - Budget and Actual - General and Budgeted Special Revenue Funds.

Commonwealth Stabilization - to account for amounts calculated in accordance with state finance law and maintained as a reserve to enhance the Commonwealth's fiscal stability.

Administrative Control - to account for the revenues generated by certain administrative functions of government, for which the Legislature had required that a separate fund be established.

In accordance with generally accepted accounting principles, these funds are reported in the General Fund.

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COMMONWEALTH OF MASSACHUSETTS
 COMBINING BALANCE SHEET -
 SPECIAL REVENUE FUNDS
 JUNE 30, 1994
 (Amounts in thousands)

	Federal Grants	Highway	Local Aid	Environmental
ASSETS				
Cash and short-term investments	\$ 7,621	\$ 379,503	\$ 375,368	\$ 45,394
Cash with fiscal agent		4,328		
Receivables, net of allowance for uncollectibles:				
Taxes		42,138	378,731	610
Due from federal government	136,427	490		616
Other receivables		2,897		14,264
Due from cities and towns			1,177	
Due from other funds			149,972	
Total assets	\$ 144,048	\$ 429,356	\$ 905,248	\$ 60,884
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 117,114	\$ 20,704	\$ 140,942	\$ 4,997
Accrued payroll	5,316	9,494	2,103	1,194
Compensated absences	10,649	17,069	19,434	3,069
Tax refunds and abatements payable			216,813	
Due to other funds				
Due to component units	10	100,753		
Due to federal government				
Deferred revenue		210	29,495	5,000
Claims and judgments	3,425	4,733	13,822	769
Other accrued liabilities				
Total liabilities	136,514	152,963	422,609	15,029
Fund balances (deficits):				
Reserved for retirement of indebtedness		4,328		
Unreserved	7,534	272,065	482,639	45,855
Fund balances (deficits)	7,534	276,393	482,639	45,855
Total liabilities and fund balances	\$ 144,048	\$ 429,356	\$ 905,248	\$ 60,884

Lotteries	Universal Health Care	Oil Overcharge	Other	Totals	
				1994	1993
\$ 34,260	\$ 69,980	\$ 16,846	\$ 94,860	\$ 1,023,832 4,328	\$ 931,460 3,797
			10,737	432,216	454,726
			7,629	145,162	112,373
3,609	67,947		6,679	95,396	53,668
				1,177	1,457
				149,972	313,139
<u>\$ 37,869</u>	<u>\$ 137,927</u>	<u>\$ 16,846</u>	<u>\$ 119,905</u>	<u>\$ 1,852,083</u>	<u>\$ 1,870,620</u>
\$ 30,489	\$ 6,214	\$ 305	\$ 41,832	\$ 362,597	\$ 283,175
	7	13	704	18,831	13,410
1,546	3	31	800	52,601	44,679
				216,813	209,941
					535
				100,763	94,448
			2,100	2,100	
7,380	28,827			70,912	66,357
411	32	13	509	23,714	79,466
	61,218		1,573	62,791	70,040
<u>39,826</u>	<u>96,301</u>	<u>362</u>	<u>47,518</u>	<u>911,122</u>	<u>862,051</u>
				4,328	3,797
(1,957)	41,626	16,484	72,387	936,633	1,004,772
(1,957)	41,626	16,484	72,387	940,961	1,008,569
<u>\$ 37,869</u>	<u>\$ 137,927</u>	<u>\$ 16,846</u>	<u>\$ 119,905</u>	<u>\$ 1,852,083</u>	<u>\$ 1,870,620</u>

COMMONWEALTH OF MASSACHUSETTS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 SPECIAL REVENUE FUNDS
 FISCAL YEAR ENDED JUNE 30, 1994
 (Amounts in thousands)

	Federal Grants	Highway	Local Aid	Environmental
Revenues:				
Taxes	\$ 0	\$ 487,048	\$ 3,405,070	\$ 7,070
Assessments		9,195		12,515
Federal grants and reimbursements	1,205,177	4,673		4,544
Departmental		316,215	1,177	40,930
Miscellaneous	27	2,054	149	14,804
Total revenues	1,205,204	819,185	3,406,396	79,863
Other financing sources:				
Operating transfers in			596,204	60
Total revenues and other financing sources	1,205,204	819,185	4,002,600	79,923
Expenditures:				
Current:				
Judiciary	350		273,744	
Secretary of the Commonwealth	663		1,934	
Treasurer and Receiver-General	1,818	950	18,831	27
Auditor of the Commonwealth			733	
Attorney General	1,716	9	67	
Ethics Commission			563	
District Attorney	1,240		32,205	
Office of Campaign & Political Finance			334	
Board of Library Commissioners	3,102		2,309	
Administration and finance	4,877	49,513	74,720	894
Environmental affairs	16,671	24,884	35,192	61,144
Communities and development	220,193		24,934	
Health and human services	255,239		563	
Transportation and construction	4,770	64,188		
Education	361,574		65,888	
Educational affairs	547		179	
Higher education	1,811	5	61	
Public safety	27,028	167,591	165,079	775
Economic affairs	176,990		25	
Elder affairs	25,499		4,340	
Consumer affairs	10	2,439		
Labor	803			

Lotteries	Universal Health Care	Oil Overcharge	Other	Totals	
				1994	1993
\$ 2,898	\$ 0	\$ 0	\$ 158,939	\$ 4,061,025	\$ 3,805,616
	298,335		16,531	336,576	404,778
	15,000		26,018	1,255,412	1,157,020
2,589,047	261,220		33,177	3,241,766	2,791,133
11,038	44,820	1,066	4,709	78,667	35,012
2,602,983	619,375	1,066	239,374	8,973,446	8,193,559
11,239	220,253		36,075	863,831	715,507
2,614,222	839,628	1,066	275,449	9,837,277	8,909,066
			1,524	275,618	217,773
				2,597	2,149
1,934,107			700	1,956,433	1,555,247
				733	717
			704	2,496	2,420
				563	
			5,859	39,304	33,017
				334	
				5,411	4,568
900	32	13	42,914	173,863	106,364
			8,307	146,198	132,397
		2,903		248,030	191,260
	653,553		125,097	1,034,452	884,106
				68,958	226,097
			29,929	457,391	458,598
			429	1,155	7,390
	21			1,898	2,167
			4,832	365,305	275,681
	2,804	1,562	14,596	195,977	189,604
				29,839	27,394
			4,053	6,502	4,959
			1,405	2,208	1,999

(Continued)

COMMONWEALTH OF MASSACHUSETTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
SPECIAL REVENUE FUNDS

FISCAL YEAR ENDED JUNE 30, 1994

(Amounts in thousands)

	Federal Grants	Highway	Local Aid	Environmental
Expenditures (continued):				
Direct local aid	\$ 0	\$ 43,472	\$ 2,683,841	\$ 0
Medicaid			39,350	
Pension		64,947	530,597	871
Debt service:				
Principal retirement		90,644	26,484	
Interest and fiscal charges		110,831	55,341	
Total expenditures	1,104,901	619,473	4,037,314	63,711
Other financing uses:				
Operating transfers out	74,708	493	102,781	14,157
Transfers of appropriations			358	1,405
Transfers to component units	329	104,172	2,031	
Other uses				
Total other financing uses	75,037	104,665	105,170	15,562
Total expenditures and other financing uses	1,179,938	724,138	4,142,484	79,273
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	25,266	95,047	(139,884)	650
Fund balances (deficits) at beginning of year	(17,732)	181,346	622,523	45,205
Fund balances (deficits) at end of year	\$ 7,534	\$ 276,393	\$ 482,639	\$ 45,855

				Totals	
Lotteries	Universal Health Care	Oil Overcharge	Other	1994	1993
\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,727,313	\$ 2,541,183
				39,350	
				596,415	545,762
			888	118,016	109,850
			1,118	167,290	160,091
<u>1,935,007</u>	<u>656,410</u>	<u>4,478</u>	<u>242,355</u>	<u>8,663,649</u>	<u>7,680,793</u>
679,180	208,422	235	42,207	1,122,183	889,961
			539	2,302	1,443
			10,219	116,751	103,151
					257
<u>679,180</u>	<u>208,422</u>	<u>235</u>	<u>52,965</u>	<u>1,241,236</u>	<u>994,812</u>
<u>2,614,187</u>	<u>864,832</u>	<u>4,713</u>	<u>295,320</u>	<u>9,904,885</u>	<u>8,675,605</u>
35	(25,204)	(3,647)	(19,871)	(67,608)	233,461
<u>(1,992)</u>	<u>66,830</u>	<u>20,131</u>	<u>92,258</u>	<u>1,008,569</u>	<u>775,108</u>
<u>\$ (1,957)</u>	<u>\$ 41,626</u>	<u>\$ 16,484</u>	<u>\$ 72,387</u>	<u>\$ 940,961</u>	<u>\$ 1,008,569</u>

COMMONWEALTH OF MASSACHUSETTS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - STATUTORY BASIS - BUDGET AND ACTUAL -
 BUDGETED SPECIAL REVENUE FUNDS
 FISCAL YEAR ENDED JUNE 30, 1994
 (Amounts in thousands)

	Highway			Local Aid		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 464,000	\$ 479,704	\$ 15,704	\$ 3,490,000	\$ 3,403,572	\$ (86,428)
Assessments		9,195	9,195			
Federal grants and reimbursements	4,700	4,672	(28)	200		(200)
Departmental	333,400	316,742	(16,658)	24,000	1,177	(22,823)
Miscellaneous		2,052	2,052		149	149
Total revenues	802,100	812,365	10,265	3,514,200	3,404,898	(109,302)
Other financing sources:						
Operating transfers in	11,000		(11,000)	531,000	596,204	65,204
Stabilization transfer						
Total other financing sources	11,000		(11,000)	531,000	596,204	65,204
Total revenues and other financing sources	813,100	812,365	(735)	4,045,200	4,001,102	(44,098)
Expenditures:						
Judiciary				275,403	271,835	3,568
Secretary of the Commonwealth				2,096	1,867	229
Treasurer and Receiver-General	1,038	844	194	20,315	18,832	1,483
Auditor of the Commonwealth				733	733	
Attorney General	10	9	1	68	66	2
Ethics Commission				537	537	
District Attorney				32,238	31,987	251
Office of Campaign & Political				320	317	3
Disabled Persons Protection Commission						
Board of Library Commissioners				2,304	2,300	4
Comptroller						
Administration and finance	49,749	49,649	100	83,784	73,217	10,567
Environmental affairs	25,188	24,806	382	38,119	37,165	954
Communities and development				25,749	24,895	854
Health and human services				417	397	20
Transportation and construction	144,990	140,502	4,488			
Education				72,894	65,828	7,066

Commonwealth Stabilization			Environmental		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 7,800	\$ 7,042	\$ (758)
				12,493	12,493
			3,700	4,370	670
6,000		(6,000)	70,591	42,017	(28,574)
<u> </u>	<u>7,972</u>	<u>7,972</u>	<u> </u>	<u>14,783</u>	<u>14,783</u>
<u>6,000</u>	<u>7,972</u>	<u>1,972</u>	<u>82,091</u>	<u>80,705</u>	<u>(1,386)</u>
				60	60
	<u>65,423</u>	<u>65,423</u>	<u> </u>	<u> </u>	<u> </u>
	<u>65,423</u>	<u>65,423</u>	<u> </u>	<u>60</u>	<u>60</u>
<u>6,000</u>	<u>73,395</u>	<u>67,395</u>	<u>82,091</u>	<u>80,765</u>	<u>(1,326)</u>
			236	236	
			67,871	60,142	7,729

(Continued)

COMMONWEALTH OF MASSACHUSETTS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - STATUTORY BASIS - BUDGET AND ACTUAL -
 BUDGETED SPECIAL REVENUE FUNDS
 FISCAL YEAR ENDED JUNE 30, 1994
 (Amounts in thousands)

	Highway			Local Aid		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued):						
Educational affairs	\$ 0	\$ 0	\$ 0	\$ 200	\$ 179	\$ 21
Higher education	21	5	16	465	419	46
Public safety	170,344	165,441	4,903	165,296	164,615	681
Economic affairs				25	25	
Elder Affairs				5,187	4,340	847
Consumer affairs	2,741	2,379	362			
Direct local aid	43,472	43,472		2,696,355	2,683,841	12,514
Medicaid				39,350	39,350	
Pension	68,015	64,869	3,146	554,522	529,945	24,577
Debt service:						
Principal retirement	111,978	90,644	21,334	27,148	26,484	664
Interest and fiscal charges	116,882	110,956	5,926	55,341	55,341	
Total expenditures	734,428	693,576	40,852	4,098,866	4,034,515	64,351
Other financing uses:						
Fringe benefit cost assessment					28,716	(28,716)
Operating transfers out	60,879	60,879		47,896	47,896	
Stabilization transfer					26,169	(26,169)
Total other financing uses	60,879	60,879		47,896	102,781	(54,885)
Total expenditures and other financing uses	795,307	754,455	40,852	4,146,762	4,137,296	9,466
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	17,793	57,910	40,117	(101,562)	(136,194)	(34,632)
Fund balances at beginning of year	298,190	298,190		536,619	536,619	
Fund balances at end of year	\$ 315,983	\$ 356,100	\$ 40,117	\$ 435,057	\$ 400,425	\$ (34,632)

Commonwealth Stabilization			Environmental		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
			1,462	1,400	62
			6,871	781	6,090
			912	870	42
			400		400
			77,752	63,429	14,323
				12,877	(12,877)
			2	1,280	(1,278)
			2	14,157	(14,155)
			77,754	77,586	168
6,000	73,395	67,395	4,337	3,179	(1,158)
309,512	309,512		40,232	40,232	
\$ 315,512	\$ 382,907	\$ 67,395	\$ 44,569	\$ 43,411	\$ (1,158)

(Continued)

**COMMONWEALTH OF MASSACHUSETTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - STATUTORY BASIS - BUDGET AND ACTUAL -
BUDGETED SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED JUNE 30, 1994
(Amounts in thousands)**

	Administrative Control			Other Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 272,100	\$ 265,261	\$ (6,839)	\$ 146,300	\$ 153,343	\$ 7,043
Assessments						
Federal grants and reimbursements						
Departmental		83,123	83,123	13,109	22,617	9,508
Miscellaneous		20,736	20,736		116	116
Total revenues	272,100	369,120	97,020	159,409	176,076	16,667
Other financing sources:						
Operating transfers in		2,393	2,393			
Stabilization transfer						
Total other financing sources		2,393	2,393			
Total revenues and other financing sources	272,100	371,513	99,413	159,409	176,076	16,667
Expenditures:						
Judiciary						
Secretary of the Commonwealth	25	24	1			
Treasurer and Receiver-General				575	574	1
Auditor of the Commonwealth						
Attorney General				722	710	12
Ethics Commission						
District Attorney				5,850	5,796	54
Office of Campaign & Political Finance						
Board of Library Commissioners						
Comptroller	525	525				
Administration and finance	91,543	90,506	1,037	20,489	15,543	4,946
Environmental affairs	794	767	27	833	778	55
Communities and development						
Health and human services	400	335	65	147,457	123,932	23,525
Transportation and construction	998	956	42			
Education				32,000	29,929	2,071

Total Budgeted Special Revenue Funds		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 4,380,200	\$ 4,308,922	\$ (71,278)
	21,688	21,688
8,600	9,042	442
447,100	465,676	18,576
	45,808	45,808
4,835,900	4,851,136	15,236
542,000	598,657	56,657
	65,423	65,423
542,000	664,080	122,080
5,377,900	5,515,216	137,316
275,403	271,835	3,568
2,121	1,891	230
21,928	20,250	1,678
733	733	
800	785	15
537	537	
38,088	37,783	305
320	317	3
2,304	2,300	4
525	525	
245,801	229,151	16,650
132,805	123,658	9,147
25,749	24,895	854
148,274	124,664	23,610
145,988	141,458	4,530
104,894	95,757	9,137

(Continued)

COMMONWEALTH OF MASSACHUSETTS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - STATUTORY BASIS - BUDGET AND ACTUAL -
 BUDGETED SPECIAL REVENUE FUNDS
 FISCAL YEAR ENDED JUNE 30, 1994
 (Amounts in thousands)

	Administrative Control			Other Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (continued):						
Educational affairs	\$ 0	\$ 0	\$ 0	\$ 455	\$ 429	\$ 26
Higher education	41	41		621	533	88
Public safety	7,467	7,448	19	4,926	4,641	285
Economic affairs				16,252	15,254	998
Elder Affairs						
Consumer affairs				3,204	2,637	567
Direct Local Aid						
Medicaid						
Pension						
Debt service:						
Principal retirement	208,443	205,055	3,388			
Interest and fiscal charges	63,667	63,667		3	3	
Total expenditures	373,903	369,324	4,579	233,387	200,759	32,628
Other financing uses:						
Fringe benefit cost assessment		494	(494)		4,349	(4,349)
Operating transfers out	1,601	1,601		12,284	12,284	
Stabilization transfer						
Total other financing uses	1,601	2,095	(494)	12,284	16,633	(4,349)
Total expenditures and other financing uses	375,504	371,419	4,085	245,671	217,392	28,279
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(103,404)	94	103,498	(86,262)	(41,316)	44,946
Fund balances at beginning of year	1,353	1,353		78,263	78,263	
Fund balances at end of year	\$ (102,051)	\$ 1,447	\$ 103,498	\$ (7,999)	\$ 36,947	\$ 44,946

Total Budgeted Special Revenue Funds

		Variance
		Favorable
Budget	Actual	(Unfavorable)
\$ 655	\$ 608	\$ 47
2,610	2,398	212
354,904	342,926	11,978
16,277	15,279	998
5,187	4,340	847
5,945	5,016	929
2,739,827	2,727,313	12,514
39,350	39,350	
623,449	595,684	27,765
347,569	322,183	25,386
236,293	229,967	6,326
<u>5,518,336</u>	<u>5,361,603</u>	<u>156,733</u>
	46,436	(46,436)
122,662	123,940	(1,278)
	26,169	(26,169)
<u>122,662</u>	<u>196,545</u>	<u>(73,883)</u>
<u>5,640,998</u>	<u>5,558,148</u>	<u>82,850</u>
(263,098)	(42,932)	220,166
<u>1,264,169</u>	<u>1,264,169</u>	
<u>\$ 1,001,071</u>	<u>\$ 1,221,237</u>	<u>\$ 220,166</u>

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***Combining Financial Statements -
Capital Projects Funds***

COMMONWEALTH OF MASSACHUSETTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 1994

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for the financial resources used to acquire or construct major capital assets and to finance local capital projects.

General - to account for proceeds of bonds sold to fund the construction or acquisition of capital assets for general Commonwealth purposes, excluding highway construction and projects targeted for specific localities or purposes.

Highway - to account for the proceeds of bonds sold to finance construction of state highways and to fund the Commonwealth's share of federally-sponsored highway construction.

Federal Highway Construction - to account for federal highway construction grants which, with the Commonwealth's required share of matching funds, finance interstate highways and similar projects within Massachusetts to promote a nationwide highway system.

Local Aid - to account for the proceeds of bonds sold to finance the construction of correctional facilities, water pollution abatement projects and other local projects in specific localities of the Commonwealth.

Other - to account for the proceeds of bonds sold to finance land acquisition for economic development, preservation and recreational purposes, and other capital projects.

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COMMONWEALTH OF MASSACHUSETTS
COMBINING BALANCE SHEET -
CAPITAL PROJECTS FUNDS

JUNE 30, 1994

(Amounts in thousands)

	General	Highway	Federal Highway Construction	Local Aid
ASSETS				
Cash and short-term investments	\$ 0	\$ 0	\$ 2,636	\$ 0
Restricted investments			83,319	
Receivables, net of allowance for uncollectibles:				
Due from federal government			155,301	
Other receivables			1,271	
Due from other funds			20,632	
Total assets	\$ 0	\$ 0	\$ 263,159	\$ 0
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 63,969	\$ 49,332	\$ 175,632	\$ 16,294
Accrued payroll	540	1,411	6	22
Compensated absences	489	3,310		
Due to other funds	111,778	19,957		38,024
Due to component unit	1,802			16,378
Deferred revenue			880	
Claims and judgements	222	530	2,959	4
Other accrued liabilities				
Bonds and notes payable	34,114	11,312		195
Total liabilities	212,914	85,852	179,477	70,917
Fund balances (deficits):				
Reserved for claims and judgements			83,319	
Unreserved	(212,914)	(85,852)	363	(70,917)
Fund balances (deficits)	(212,914)	(85,852)	83,682	(70,917)
Total liabilities and fund balances	\$ 0	\$ 0	\$ 263,159	\$ 0

Totals		
Other	1994	1993
\$ 0	\$ 2,636 83,319	\$ 0
	155,301	87,209
	1,271	457
	20,632	57,353
\$ 0	\$ 263,159	\$ 145,019
\$ 675 1	\$ 305,902 1,980	\$ 242,144 1,432
	3,799	3,031
845	170,604	132,057
	18,180	42,659
	880	437
	3,715	1,150
		2,966
3,441	49,062	84,434
4,962	554,122	510,310
	83,319	
(4,962)	(374,282)	(365,291)
(4,962)	(290,963)	(365,291)
\$ 0	\$ 263,159	\$ 145,019

COMMONWEALTH OF MASSACHUSETTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
CAPITAL PROJECTS FUNDS

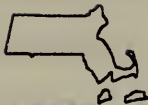
FISCAL YEAR ENDED JUNE 30, 1994

(Amounts in thousands)

	General	Highway	Federal Highway Construction	Local Aid
Revenues:				
Federal grants and reimbursements	\$ 2,141	\$ 0	\$ 942,597	\$ 0
Departmental	76		553	
Miscellaneous	65	108	1,860	
Total revenues	2,282	108	945,010	
Other financing sources:				
Proceeds of general obligation bonds	156,723	421,876		100,156
Proceeds of refunding bonds	496,163	225,238		96,497
Operating transfers in			152,542	
Other	30,397	101		1
Total other financing sources	683,283	647,215	152,542	196,654
Total revenues and other financing sources	685,565	647,323	1,097,552	196,654
Expenditures:				
Capital outlay:				
Local aid				100,105
Capital acquisition and construction	212,221	226,144	1,012,774	
Total expenditures	212,221	226,144	1,012,774	100,105
Other financing uses:				
Payments to refunded bond escrow agent	496,163	225,238		96,497
Operating transfers out	2,240	159,197	5,181	3,344
Transfers to component units				2,195
Transfers of bond proceeds	15,324			
Total other financing uses	513,727	384,435	5,181	102,036
Total expenditures and other financing uses	725,948	610,579	1,017,955	202,141
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(40,383)	36,744	79,597	(5,487)
Fund balances (deficits) at beginning of year	(172,531)	(122,596)	4,085	(65,430)
Fund balances (deficits) at end of year	\$ (212,914)	\$ (85,852)	\$ 83,682	\$ (70,917)

Other	Totals	
	1994	1993
\$ 0	\$ 944,738	\$ 720,007
	629	553
	2,033	264
	947,400	720,824
11,451	690,206	368,367
17,898	835,796	1,891,468
	152,542	108,090
4,872	35,371	26,104
34,221	1,713,915	2,394,029
34,221	2,661,315	3,114,853
	100,105	104,876
12,463	1,463,602	1,132,549
12,463	1,563,707	1,237,425
17,898	835,796	1,891,468
3	169,965	119,267
	2,195	3,624
	15,324	24,796
17,901	1,023,280	2,039,155
30,364	2,586,987	3,276,580
3,857	74,328	(161,727)
(8,819)	(365,291)	(203,564)
\$ (4,962)	\$ (290,963)	\$ (365,291)

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*Combining Financial Statements -
Fiduciary Funds*

COMMONWEALTH OF MASSACHUSETTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 1994

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the Commonwealth in a trustee capacity or as an agent for individuals, private organizations or other governments.

EXPENDABLE TRUST FUNDS:

Expendable Trust - to account for various gifts, bequests or contributions held by the Commonwealth of which both principal and interest may be expended for purposes designated by the donor.

Unemployment Compensation - to account for unemployment taxes collected from employers and held by the United States Treasury in the Federal Unemployment Trust Fund, from which funds are drawn for the payment of benefits to the unemployed.

NONEXPENDABLE TRUST FUNDS:

Nonexpendable Trust - to account for various gifts and bequests held by the Commonwealth, of which only the income may be expended for purposes specified by the donor.

PENSION TRUST FUNDS:

Public Employee Retirement Systems - to account for the assets, liabilities and fund balances held in trust by the State Employees' and Teachers' Retirement Systems for the payment of retirement, disability and death benefits to members of these retirement systems.

AGENCY FUNDS:

Central Agency Funds - to account for cash and investments held or managed by the Commonwealth on behalf of others, including the investments made by cities, towns and local authorities in the Massachusetts Municipal Depository Trust and Pension Reserves Investment Trust, employees' contributions to the deferred compensation plan, annuity contracts held for lottery prize winners, and local option taxes collected but not yet remitted.

Court Escrow and Client Accounts - to account for assets held in escrow accounts by the Commonwealth's court system pending settlement of outstanding litigation and by the human service departments on behalf of patients, clients and inmates, and for child support payments collected or receivable and not yet remitted to custodial parents.

Statutory Bonds and Deposits - to account for deposits required from insurance companies and similar organizations doing business within the Commonwealth, to protect citizens against the risk of loss due to business failure.

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COMMONWEALTH OF MASSACHUSETTS
COMBINING BALANCE SHEET -
FIDUCIARY FUND TYPES

JUNE 30, 1994

(Amounts in thousands)

	Expendable Trust Funds	Non- expendable Trust Funds	Pension Trust Funds	Agency Funds
ASSETS				
Cash and short-term investments	\$ 123,763	\$ 5,840	\$ 536,983	\$ 1,082,758
Deposits	33,001			
Investments			11,231,187	382,021
Investments of deferred compensation plan				945,401
Annuity contracts				1,045,084
Assets held in trust				1,550,917
Receivables, net of allowance for uncollectibles:				
Taxes	319,802			
Due from federal government	655			
Loans	7,420			
Other receivables	19,643		1,603,427	19,000
Due from other funds	2,487			
Total assets	\$ 506,771	\$ 5,840	\$ 13,371,597	\$ 5,025,181
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 43,230	\$ 0	\$ 1,777,648	\$ 12,103
Accrued payroll	368			
Compensated absences	200			
Tax refunds and abatements payable	8,475			
Due to cities and towns				11,937
Due to other funds	2,487		3,677	
Due to federal government				
Deferred revenue	29,844			
Prizes payable				1,045,084
Deferred compensation benefits payable				945,401
Agency liabilities				3,010,656
Claims and judgments	167			
Other liabilities			27,116	
Total liabilities	84,771		1,808,441	5,025,181
Fund balances:				
Reserved for pension benefits			11,563,156	
Reserved for unemployment benefits	296,676			
Reserved for specific purpose		5,840		
Unreserved	125,324			
Total fund balances	422,000	5,840	11,563,156	
Total liabilities and fund balances	\$ 506,771	\$ 5,840	\$ 13,371,597	\$ 5,025,181

Totals	
1994	1993
\$ 1,749,344	\$ 1,494,375
33,001	
11,613,208	11,111,771
945,401	895,768
1,045,084	975,442
1,550,917	1,518,389
319,802	339,610
655	1,009
7,420	8,151
1,642,070	1,359,897
2,487	409
\$ 18,909,389	\$ 17,704,821
\$ 1,832,981	\$ 1,342,628
368	333
200	412
8,475	7,123
11,937	12,710
6,164	3,685
	269,429
29,844	28,568
1,045,084	975,442
945,401	895,768
3,010,656	2,883,236
167	136
27,116	29,726
6,918,393	6,449,196
11,563,156	11,121,148
296,676	
5,840	5,779
125,324	128,698
11,990,996	11,255,625
\$ 18,909,389	\$ 17,704,821

COMMONWEALTH OF MASSACHUSETTS
COMBINING BALANCE SHEET -
EXPENDABLE TRUST FUNDS

JUNE 30, 1994

(Amounts in thousands)

	Expendable	Unemployment	Totals	
ASSETS	Trust	Compensation	1994	1993
Cash and short-term investments	\$ 123,763	\$ 0	\$ 123,763	\$ 128,817
Deposits		33,001	33,001	
Receivables, net of allowance for uncollectibles:				
Taxes	1,486	318,316	319,802	339,610
Due from federal government	655		655	1,009
Loans	7,420		7,420	8,151
Other receivables	6,222	13,421	19,643	19,703
Due from other funds	2,487		2,487	409
Total assets	\$ 142,033	\$ 364,738	\$ 506,771	\$ 497,699
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 14,407	\$ 28,823	\$ 43,230	\$ 62,591
Accrued payroll	368		368	333
Compensated absences	200		200	412
Tax refunds payable	150	8,325	8,475	7,123
Due to other funds		2,487	2,487	409
Due to federal government				269,429
Deferred revenue	1,417	28,427	29,844	28,568
Claims and judgments	167		167	136
Total liabilities	16,709	68,062	84,771	369,001
Fund balances:				
Reserved for unemployment benefits		296,676	296,676	
Unreserved	125,324		125,324	128,698
Total fund balances	125,324	296,676	422,000	128,698
Total liabilities and fund balances	\$ 142,033	\$ 364,738	\$ 506,771	\$ 497,699

COMMONWEALTH OF MASSACHUSETTS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 EXPENDABLE TRUST FUNDS
 FISCAL YEAR ENDED JUNE 30, 1994
 (Amounts in thousands)

	Expendable Trust	Unemployment Compensation	Totals	
			1994	1993
Revenues:				
Taxes	\$ 9,448	\$ 1,116,091	\$ 1,125,539	\$ 1,073,002
Assessments	1,207		1,207	2,565
Federal grants and reimbursements	11,316	246,235	257,551	636,309
Departmental	3,528		3,528	3,054
Miscellaneous	59,340	851	60,191	63,124
Total revenues	84,839	1,363,177	1,448,016	1,778,054
Other financing sources:				
Operating transfers in	5,863		5,863	2,768
Other sources	138		138	
Total other financing sources	6,001		6,001	2,768
Total revenues and other financing uses	90,840	1,363,177	1,454,017	1,780,822
Expenditures:				
Judiciary	3,689		3,689	2,179
Secretary of the Commonwealth	4		4	7
Treasurer and Receiver-General	19		19	19
Auditor of the Commonwealth	167		167	347
Attorney General	1,124		1,124	672
District Attorney	3,609		3,609	3,039
Board of Library Commissioners				1
Administration and finance	1,325		1,325	1,169
Environmental affairs	4,716		4,716	5,666
Communities and development	433		433	1,167
Health and human services	20,283		20,283	51,370
Transportation and construction	829		829	779
Education	1,296		1,296	1,190
Higher education	79		79	164
Public safety	3,728		3,728	2,254
Economic affairs	27,869	1,054,922	1,082,791	1,497,867
Elder affairs	60		60	23
Consumer affairs	3,538		3,538	2,541
Labor	28,249		28,249	24,322
Total expenditures	101,017	1,054,922	1,155,939	1,594,776
Other financing uses:				
Operating transfers out	4,776		4,776	4,087
Total expenditures and other financing uses	105,793	1,054,922	1,160,715	1,598,863
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(14,953)	308,255	293,302	181,959
Fund balances (deficits) at beginning of year	140,277	(11,579)	128,698	(53,261)
Fund balances at end of year	\$ 125,324	\$ 296,676	\$ 422,000	\$ 128,698

COMMONWEALTH OF MASSACHUSETTS
 COMBINING BALANCE SHEET -
 PENSION TRUST FUNDS
 JUNE 30, 1994
 (Amounts in thousands)

			Totals	
	State Employees' PERS	Teachers' PERS	1994	1993
ASSETS				
Cash and short-term investments	\$ 256,509	\$ 280,474	\$ 536,983	\$ 357,386
Investments	5,560,028	5,671,159	11,231,187	10,735,721
Other receivables, net of allowance for uncollectibles	746,453	856,974	1,603,427	1,313,194
Total assets	\$ 6,562,990	\$ 6,808,607	\$ 13,371,597	\$ 12,406,301
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 843,332	\$ 934,316	\$ 1,777,648	\$ 1,252,150
Due to other funds	1,744	1,933	3,677	3,276
Other liabilities	14,416	12,700	27,116	29,726
Total liabilities	859,492	948,949	1,808,441	1,285,152
Fund balances:				
Reserved for pension benefits	5,703,498	5,859,658	11,563,156	11,121,149
Total liabilities and fund balances	\$ 6,562,990	\$ 6,808,607	\$ 13,371,597	\$ 12,406,301

COMMONWEALTH OF MASSACHUSETTS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES -
PENSION TRUST FUNDS
FISCAL YEAR ENDED JUNE 30, 1994
(Amounts in thousands)

	State Employees' PERS	Teachers' PERS	Totals	
			1994	1993
Operating revenues:				
Contributions	\$ 627,798	\$ 503,070	\$ 1,130,868	\$ 1,072,789
Investment income	132,361	113,085	245,446	1,301,369
Total operating revenues	760,159	616,155	1,376,314	2,374,158
Operating expenses:				
Administration	1,745	1,932	3,677	3,276
Retirement benefits and refunds	530,212	400,418	930,630	898,399
Total operating expenses	531,957	402,350	934,307	901,675
Net income	228,202	213,805	442,007	1,472,483
Fund balances at beginning of year	5,475,296	5,645,853	11,121,149	9,648,666
Fund balances at end of year	\$ 5,703,498	\$ 5,859,658	\$ 11,563,156	\$ 11,121,149

COMMONWEALTH OF MASSACHUSETTS
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FISCAL YEAR ENDED JUNE 30, 1994
 (Amounts in thousands)

	Balance July 1, 1993	Additions	Deductions	Balance June 30, 1994
Central Agency Funds				
ASSETS				
Cash and short-term investments	\$ 902,975	\$ 1,789,301	\$ 1,712,790	\$ 979,486
Investments	376,050	146,197	140,226	382,021
Investments of deferred compensation plan	895,768	145,000	95,367	945,401
Annuity contracts	975,442	201,286	131,644	1,045,084
Total assets	\$ 3,150,235	\$ 2,281,784	\$ 2,080,027	\$ 3,351,992
LIABILITIES				
Accounts payable	\$ 27,883	\$ 881,573	\$ 897,353	\$ 12,103
Due to cities and towns	12,710	127,752	128,525	11,937
Prizes payable	975,442	201,286	131,644	1,045,084
Deferred compensation benefits payable	895,768	145,000	95,367	945,401
Agency liabilities	1,238,432	1,921,370	1,822,335	1,337,467
Total liabilities	\$ 3,150,235	\$ 3,276,981	\$ 3,075,224	\$ 3,351,992
Court Escrow and Client Accounts				
ASSETS				
Cash and short-term investments	\$ 98,177	\$ 5,992,354	\$ 5,988,072	\$ 102,459
Other receivables	27,000	19,000	27,000	19,000
Total assets	\$ 125,177	\$ 6,011,354	\$ 6,015,072	\$ 121,459
LIABILITIES				
Agency liabilities	\$ 125,177	\$ 424,187	\$ 427,905	\$ 121,459
Statutory Bonds and Deposits				
ASSETS				
Cash and short-term investments	\$ 1,238	\$ 319	\$ 744	\$ 813
Assets held in trust	1,518,389	64,013	31,485	1,550,917
Total assets	\$ 1,519,627	\$ 64,332	\$ 32,229	\$ 1,551,730
LIABILITIES				
Accounts payable	\$	\$ 263	\$ 263	\$
Agency liabilities	1,519,627	64,223	32,120	1,551,730
Total liabilities	\$ 1,519,627	\$ 64,486	\$ 32,383	\$ 1,551,730

COMMONWEALTH OF MASSACHUSETTS
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FISCAL YEAR ENDED JUNE 30, 1994
(Amounts in thousands)

	Balance July 1, 1993	Additions	Deductions	Balance June 30, 1994
Total Agency Funds				
ASSETS				
Cash and short-term investments	\$ 1,002,390	\$ 7,781,974	\$ 7,701,606	\$ 1,082,758
Investments	376,050	146,197	140,226	382,021
Investments of deferred compensation	895,768	145,000	95,367	945,401
Annuity contracts	975,442	201,286	131,644	1,045,084
Assets held in trust	1,518,389	64,013	31,485	1,550,917
Other receivables	27,000	19,000	27,000	19,000
Total assets	\$ 4,795,039	\$ 8,357,470	\$ 8,127,328	\$ 5,025,181
LIABILITIES				
Accounts payable	\$ 27,883	\$ 881,836	\$ 897,616	\$ 12,103
Due to cities and towns	12,710	127,752	128,525	11,937
Prizes payable	975,442	201,286	131,644	1,045,084
Deferred compensation benefits payable	895,768	145,000	95,367	945,401
Agency liabilities	2,883,236	2,409,780	2,282,360	3,010,656
Total liabilities	\$ 4,795,039	\$ 3,765,654	\$ 3,535,512	\$ 5,025,181

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Combining Balance Sheet
University and College Fund Type

COMMONWEALTH OF MASSACHUSETTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 1994

UNIVERSITY AND COLLEGE FUND TYPE

This fund type combines, in accordance with the AICPA Audit Guide for College and Universities, the financial activity from all fund types for: the University of Massachusetts System, including its campuses at Amherst, Boston, Dartmouth, Lowell and Worcester; and, The Teaching Hospital, Group Practice and Building Authority; and, the State College System including nine state Colleges which provide four year post-secondary education and the state College Building authority; and, the Community College system including fifteen community colleges which provide two year-secondary education programs.

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COMMONWEALTH OF MASSACHUSETTS
COMBINING BALANCE SHEET -
UNIVERSITY AND COLLEGE FUNDS

JUNE 30, 1994

(Amounts in thousands)

	Current Funds		Loan	Endowment
	Unrestricted	Restricted	Funds	and Similar
ASSETS				Funds
Cash and short-term investments	\$ 67,567	\$ 4,233	\$ 1,837	\$ 3,581
Deposits	41,468			
Investments	137,678	28,154	2,350	50,705
Receivables, net of allowance for uncollectibles:				
Due from federal government		9,378		
Loans			44,461	10
Other receivables	88,041	40,927	63	
Due from other funds	23,395	15		390
Inventory	13,572			
Fixed assets				
Other assets	7,823	106		
Total assets	\$ 379,544	\$ 82,813	\$ 48,711	\$ 54,686
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 35,597	\$ 7,253	\$ 17	\$ 0
Accrued payroll	50,074	4,004		
Compensated absences	84,674	6,674		
Due to other funds	6,875	27,515	11	
Deferred revenue	6,016			
Agency liabilities	5,270	1,549		
Claims and judgments	71,981			
Deposits and unearned revenue	4,583	2,414		
Other accrued liabilities	58,549	187		
Capital leases				
Bonds, notes payable and certificates of participation				
Total liabilities	323,619	49,596	28	
Fund balances:				
Unrestricted	55,925			34,433
Restricted		33,217	48,683	20,253
Unexpended plant funds				
Renewals and replacements				
Retirement of indebtedness				
Net investment in plant				
Total fund balances	55,925	33,217	48,683	54,686
Total liabilities and fund balances	\$ 379,544	\$ 82,813	\$ 48,711	\$ 54,686

Plant Funds	Totals	
	1994	1993
\$ 10,731	\$ 87,949	\$ 139,251
13,800	55,268	49,506
36,408	255,295	235,352
	9,378	12,739
	44,471	43,546
1,303	130,334	131,367
4,659	28,459	26,320
	13,572	13,633
2,058,075	2,058,075	2,022,031
1,992	9,921	9,625
<u>\$ 2,126,968</u>	<u>\$ 2,692,722</u>	<u>\$ 2,683,370</u>
\$ 2,502	\$ 45,369	\$ 39,942
	54,078	64,829
	91,348	103,188
278	34,679	38,890
	6,016	5,136
	6,819	9,186
	71,981	67,487
	6,997	5,776
1,272	60,008	51,307
19,558	19,558	12,687
260,933	260,933	274,481
<u>284,543</u>	<u>657,786</u>	<u>672,909</u>
	90,358	129,230
	102,153	83,907
25,779	25,779	27,868
15,677	15,677	15,647
21,528	21,528	19,351
1,779,441	1,779,441	1,734,458
<u>1,842,425</u>	<u>2,034,936</u>	<u>2,010,461</u>
<u>\$ 2,126,968</u>	<u>\$ 2,692,722</u>	<u>\$ 2,683,370</u>

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General Fixed Assets Account Group

COMMONWEALTH OF MASSACHUSETTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 1994

GENERAL FIXED ASSETS ACCOUNT GROUP

The General Fixed Assets Account Group accounts for the land, buildings, improvements, equipment and construction in progress of the governmental funds.

**COMMONWEALTH OF MASSACHUSETTS
SCHEDULE OF GENERAL FIXED ASSETS BY SOURCE**

JUNE 30, 1994

(Amounts in thousands)

<u>GENERAL FIXED ASSETS:</u>	<u>1994</u>
Land	\$ 455,089
Buildings	2,224,052
Machinery and equipment	369,383
Construction in progress	<u>18,158</u>
Total general fixed assets	\$ <u>3,066,682</u>

INVESTMENT IN GENERAL FIXED ASSETS BY SOURCE:

Acquired on or before June 30, 1990	\$ 1,864,905
Acquired subsequent to June 30, 1990 from:	
General Fund	296,414
Special Revenue Funds	29,517
Capital Projects Funds	872,123
Expendable Trust Funds	<u>3,723</u>
Total investment in general fixed assets	\$ <u>3,066,682</u>

Sources of general fixed assets acquired on or before June 30, 1990 are not available.

COMMONWEALTH OF MASSACHUSETTS
 SCHEDULE OF GENERAL FIXED ASSETS BY FUNCTION
 JUNE 30, 1994
 (Amounts in thousands)

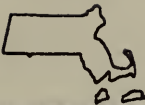
Function	Land	Buildings	Machinery and equipment	Total
Judiciary	\$ 251	\$ 215,903	\$ 3,357	\$ 219,511
Inspector General			117	117
Governor and Lieutenant Governor			146	146
Secretary of the Commonwealth	5	18,034	1,345	19,384
Treasurer and Receiver - General			21,019	21,019
Auditor of the Commonwealth			233	233
Attorney General			1,314	1,314
Ethics Commission			40	40
District Attorney			2,724	2,724
Office of Campaign and Political Finance			47	47
Board of Library Commissioners			85	85
Comptroller			159	159
Administration and finance	3,749	363,453	118,772	485,974
Environmental affairs	355,268	109,876	39,464	504,608
Communities and development			895	895
Health and human services	41,830	983,411	34,611	1,059,852
Transportation and construction	32,310	8,205	53,009	93,524
Education			1,231	1,231
Educational Affairs			65	65
Higher education	3		1,943	1,946
Public safety	21,490	524,722	63,235	609,447
Economic affairs	183	448	23,106	23,737
Elder affairs			170	170
Consumer affairs			724	724
Labor			1,572	1,572
Total by function	\$ 455,089	\$ 2,224,052	\$ 369,383	3,048,524
Construction in progress				18,158
Total general fixed assets				\$ 3,066,682

COMMONWEALTH OF MASSACHUSETTS
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY FUNCTION
FISCAL YEAR ENDED JUNE 30, 1994
(Amounts in thousands)

Function and activity	General Fixed Assets June 30, 1993	Additions and adjustments	Retirements and adjustments	General Fixed Assets June 30, 1994
Judiciary	\$ 200,771	\$ 18,837	\$ 97	\$ 219,511
Inspector General	64	100	47	117
Governor and Lieutenant Governor	146			146
Secretary of the Commonwealth	19,833	92	541	19,384
Treasurer and Receiver - General	22,770		1,751	21,019
Auditor of the Commonwealth	381		148	233
Attorney General	1,299	15		1,314
Ethics Commission	40			40
District Attorney	2,865		141	2,724
Office of Campaign and Political Finance		47		47
Board of Library Commissioners	85			85
Comptroller	52	107		159
Administration and finance	462,739	67,583	44,348	485,974
Environmental affairs	461,023	46,809	3,224	504,608
Communities and development	935	71	111	895
Health and human services	1,062,604	23,151	25,903	1,059,852
Transportation and construction	78,898	15,764	1,138	93,524
Education	946	420	135	1,231
Educational Affairs	65			65
Higher education	1,967	1,889	1,910	1,946
Public safety	528,914	87,584	7,051	609,447
Economic affairs	18,000	6,249	512	23,737
Elder affairs	336	21	187	170
Consumer affairs	996	25	297	724
Labor	1,369	463	260	1,572
Total by function	2,867,098	269,227	87,801	3,048,524
Construction in progress	145,132	12,504	139,478	18,158
Total general fixed assets	\$ 3,012,230	\$ 281,731	\$ 227,279	\$ 3,066,682

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*Public Employee Retirement System
Required Supplementary Information*

COMMONWEALTH OF MASSACHUSETTS
PUBLIC EMPLOYEE RETIREMENT SYSTEMS
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS
FOR FISCAL YEARS 1991 THROUGH 1994
(Amount in thousands)

	(1)	(2)	(3)	(4)	(5)	(6)
				Unfunded		Unfunded pension
	Net assets	Pension	%	pension benefit	Annual	benefit obligation
Fiscal	available	benefit	Funded	obligation	covered	as a percentage
year	for benefits	obligation	(1)/(2)	(2)-(1)	payroll	of covered payroll
						(4)/(5)
<u>State Employees' Retirement System</u>						
1994	\$ 5,802,000	\$ 8,957,000	64.78%	\$ 3,155,000	\$ 3,094,000	101.97%
1993	5,071,000	8,409,000	60.30%	3,338,000	2,919,000	114.35%
1992	4,699,000	7,061,000	66.55%	2,362,000	2,638,000	89.54%
1991	4,052,000	6,854,000	59.12%	2,802,000	2,300,000	121.83%
<u>Teachers' Retirement System</u>						
1994	\$ 5,956,000	\$ 8,958,000	66.49%	\$ 3,002,000	\$ 2,573,000	116.67%
1993	5,142,000	8,440,000	60.92%	3,298,000	2,428,000	135.83%
1992	4,784,000	8,230,000	58.13%	3,446,000	2,032,000	169.59%
1991	4,086,000	8,853,000	46.15%	4,767,000	2,065,000	230.85%
<u>State-Boston Retirement System</u>						
1994	\$ 443,000	\$ 718,000	61.70%	\$ 275,000	\$ 218,000	126.15%
1993	370,000	704,000	52.56%	334,000	206,000	162.14%
1992	342,000	705,000	48.51%	363,000	184,000	197.28%
1991	301,000	553,000	54.43%	252,000	203,000	124.14%

Analysis of the funding progress is only available as of January 1, 1991, 1992, 1993 and 1994, the dates of the most recent actuarial valuations and the interim update.

COMMONWEALTH OF MASSACHUSETTS
PUBLIC EMPLOYEE RETIREMENT SYSTEMS - REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES BY SOURCE AND EXPENSES BY TYPE
FOR FISCAL YEARS 1988 THROUGH 1994
(Amounts in thousands)

State Employees' Retirement System

Revenues By Source

Fiscal year	Employee contribution	Employer contribution	Contributions as a percentage of payroll	Investment income	Total
1988	\$ 172,607	\$ 268,993	11.7%	\$ 64,858	\$ 506,458
1989	192,332	271,927	10.6%	487,971	952,230
1990	192,065	292,101	10.4%	298,513	782,679
1991	196,413	313,485	13.6%	111,472	621,370
1992	191,501	333,828	12.7%	497,003	1,022,332
1993	191,604	418,217	14.3%	517,733	1,127,554
1994	212,625	415,173	20.7%	132,361	760,159

Expenses By Type

Fiscal year	Benefits	Administration expenses	Other	Total
1988	\$ 245,573	\$ 2,800	\$ 73,856	\$ 322,229
1989	259,101	2,930	84,185	346,216
1990	288,284	2,595	94,420	385,299
1991	311,433	2,052	107,504	420,989
1992	333,828	1,857	132,828	468,513
1993	418,217	1,910	113,634	533,761
1994	415,173	1,745	115,039	531,957

Teachers' Retirement System

Revenues By Source

Fiscal year	Employee contribution	Employer contribution	Contributions as a percentage of payroll	Investment income	Total
1988	\$ 125,223	\$ 243,966	12.6%	\$ 100,537	\$ 469,726
1989	126,004	252,443	14.1%	411,303	789,750
1990	141,645	252,717	11.4%	291,711	686,073
1991	144,173	268,010	13.0%	183,554	595,737
1992	146,637	284,498	14.0%	639,966	1,071,101
1993	159,980	302,988	12.5%	783,635	1,246,603
1994	174,363	328,707	19.8%	113,085	616,155

Expenses By Type

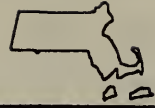
Fiscal year	Benefits	Administration expenses	Other	Total
1988	\$ 224,909	\$ 1,484	\$ 46,539	\$ 272,932
1989	237,332	1,471	49,539	288,342
1990	250,214	1,282	54,355	305,851
1991	266,924	1,086	59,106	327,116
1992	284,498	1,090	63,688	349,276
1993	302,988	1,366	63,560	367,914
1994	328,707	1,932	71,712	402,351

Information for the years prior to 1988 is not available.

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COMMONWEALTH OF MASSACHUSETTS
FISCAL YEAR ENDED JUNE 30, 1994



COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT

Statistical Section

COMMONWEALTH OF MASSACHUSETTS
 TEN-YEAR SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
 ALL GOVERNMENTAL FUND TYPES
 FOR FISCAL YEARS 1985 THROUGH 1994
(Amounts in millions)

	<u>1994</u>	<u>%</u>	<u>1993</u>	<u>%</u>	<u>1992</u>	<u>%</u>	<u>1991</u>	<u>%</u>
Taxes	\$ 10,611	47	\$ 10,021	45	\$ 9,479	46	\$ 9,143	41
Federal reimbursements	3,925	17	3,376	15	3,021	15	3,075	14
Federal grants	1,184	5	1,118	5	1,199	6	1,088	5
Lotteries	2,600	11	2,148	10	1,831	9	1,692	8
Assessments	544	2	597	3	787	4	1,542	7
Motor vehicle licenses and registrations	284	1	331	1	300	1	290	1
Other fees, investment earnings, etc.	1,113	5	1,215	5	1,710	8	1,455	6
Proceeds of dedicated tax bonds							1,363	6
Proceeds of general obligation bonds	392	2	368	2	721	3	1,030	5
Proceeds of special obligation bonds	298				100			
Proceeds of refunding bonds	836	4	1,891	8	574	3		
Proceeds of capital lease	34		13		17		28	
Operating transfers	1,367	6	1,177	5	1,021	5	1,477	7
Other financing sources	<u>35</u>		<u>46</u>		<u>47</u>		<u>36</u>	
Total revenue and other financing sources	<u>\$ 23,223</u>		<u>\$ 22,301</u>		<u>\$ 20,807</u>		<u>\$ 22,219</u>	

Note: GAAP information is available only for the years 1986 through 1994. The information for prior years is presented on the statutory basis of accounting.

* Information is not available for years prior to 1989.

<u>1990</u>	<u>%</u>	<u>1989</u>	<u>%</u>	<u>1988</u>	<u>%</u>	<u>1987</u>	<u>%</u>	<u>1986</u>	<u>%</u>	<u>1985</u>	<u>%</u>
\$ 9,007	50	\$ 8,695	51	\$ 8,033	55	\$ 7,970	54	\$ 7,462	57	\$ 6,424	61
2,092	11	1,942	11	1,830	12	1,546	10	1,427	11	1,222	12
1,042	6	1,045	6	803	5	812	5	827	6	758	7
1,657	9	1,447	9	1,390	9	1,276	9	1,066	8	831	8
277	1	243	1	160	1	199	1	20		108	1
306	2	237	2	167	1	175	1	151	1	145	1
1,188	7	1,038	6	993	7	829	6	824	6	535	5
1,430	8	1,374	8	543	4	315	2	442	4	276	3
		226	1			526	4				
7		35									
1,068	6	805	5	870	6	1,159	8	893	7	174	2
<u>30</u>		<u>5</u>		<u>52</u>		<u>7</u>		<u>3</u>		<u>47</u>	
<u>\$ 18,104</u>		<u>\$ 17,092</u>		<u>\$ 14,841</u>		<u>\$ 14,814</u>		<u>\$ 13,115</u>		<u>\$ 10,520</u>	

COMMONWEALTH OF MASSACHUSETTS
TEN-YEAR SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BY CHARACTER AND SECRETARIAT - ALL GOVERNMENTAL FUND TYPES
FOR FISCAL YEARS 1985 THROUGH 1994

(Amounts in millions)

Character and Secretariat	1994	%	1993	%	1992	%	1991	%
Current:								
Legislature	\$ 43		\$ 41		\$ 44		\$ 40	
Judiciary	338	1	306	1	315	2	298	1
Inspector General	1		1		1		1	
Governor and Lieutenant	4		4		4		4	
Secretary of the Commonwealth	12		14		12		13	
Treasurer and Receiver - General	2,893	13	1,659	7	1,379	7	1,290	6
Auditor of the Commonwealth	11		10		10		11	
Attorney General	38		36		18		89	
Ethics Commission	1		1		1		1	
District Attorney	47		44		39		42	
Office of Campaign and Political Finance	1				1		1	
Disabled Persons Protection Commission	2							
Board of Library Commissioners	25		5		4		21	
Comptroller	6		6		5		5	
Administration and finance	885	4	682	3	833	4	878	4
Environmental affairs	169	1	162	1	141	1	172	1
Communities and development	358	2	364	2	397	2	410	2
Health and human services	7,543	33	4,034	18	4,007	20	5,011	23
Transportation and construction	164	1	273	1	92		176	1
Education	2,164	9	469	2	392	2	339	2
Educational affairs	3		10		17			
Higher education (2)	67		69		1,288	6	1,211	6
Public safety	787	3	611	3	658	3	148	1
Economic affairs	214	1	210	1	194	1	169	1
Elder affairs	155	1	150	1	137	1	143	1
Consumer affairs	33		30		27		32	
Labor	24		24		19		21	
Independent commissions								
Direct local aid to cities and towns			2,547	11	2,278	11	2,608	12
Medicaid			3,151	14	2,853	14	2,872	13
Capital outlay: (1)								
Local aid	83		105		87		226	1
Capital acquisition and construction	1,464	6	1,133	5	1,157	6	945	5
Pension	830	4	893	4	751	4	706	3
Debt service	1,151	5	1,143	5	901	5	1,407	7

COMMONWEALTH OF MASSACHUSETTS
TEN-YEAR SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BY CHARACTER AND SECRETARIAT - ALL GOVERNMENTAL FUND TYPES
FOR FISCAL YEARS 1985 THROUGH 1994

(Amounts in millions)

Character and Secretariat	1994	%	1993	%	1992	%	1991	%
Other financing uses:								
Payment to refunded bond escrow agent	\$ 836	4	\$ 1,891	8	\$ 574	3	\$ 0	
Fund deficit support								
Transfers	2,668	12	2,364	11	1,654	8	2,098	10
Other								
Total expenditures and other financing uses	\$ 23,020		\$ 22,442		\$ 20,290		\$ 21,388	

Note- GAAP information is available only for years 1986-1994. The information for prior years is presented on the statutory basis of accounting.

- (1) Information is not available for years prior to 1986.
- (2) Subsequent to 1992, expenditures related to Higher Education are presented in the University College Fund Type. Prior years have not been restated.

1990	%	1989	%	1988	%	1987	%	1986	%	1985	%
\$ 44		\$ 49		\$ 48		\$ 45		\$ 42		\$ 38	
305	2	280	2	271	2	250	2	268	2	243	2
1		1		1		3		1		1	
5		6		6		4		9		14	
11		14		13		15		8		15	
1,193	6	1,022	6	1,079	7	700	6	976	8	1,095	11
11		13		13		11		9		9	
29		43		92	1	28		24		13	
1		1		1		1		1		1	
47		81		80		41					
20											
6		5		5		6		4			
874	5	485	3	737	5	999	7	311	2	388	4
171	1	185	1	198	1	180	1	181	1	163	2
403	2	390	2	349	2	293	2	264	2	274	3
4,118	22	3,532	20	2,957	19	2,885	19	2,290	18	3,298	33
162	1	60		94	1	157	1	159	1	367	4
332	2	329	2	311	2	263	2	1,174	9	2,136	21
1,155	6	1,164	7	1,058	7	1,126	7				
154	1	164	1	162	1	129	1	112	1	90	1
159	1	202	1	176	1	178	1	152	1	139	1
150	1	175	1	145	1	165	1	130	1	117	1
34		50		46		30		26		25	
23		24		19		19		10		10	
		28		35		32					
2,937	16	2,961	17	2,769	18	2,601	17	2,192	17		
1,929	11	2,336	13	1,707	11	1,380	10	1,651	13		
208	1	112	1	27		10					
929	5	1,125	6	842	5	764	5	632	5	583	6
672	4	663	4	600	4	622	4	401	3	436	4
775	4	654	4	568	4	530	4	522	4	482	5

(Continued)

1990	%	1989	%	1988	%	1987	%	1986	%	1985	%
\$ 0		\$ 226	1	\$ 0		\$ 526	3	\$ 0		\$ 0	
				231	1	361	3			58	1
1,613	9	1,348	8	1,088	7	642	4	1,638	12	83	1
				18		33				23	
\$ 18,471		\$ 17,728		\$ 15,746		\$ 15,029		\$ 13,187		\$ 10,101	

COMMONWEALTH OF MASSACHUSETTS
 TEN-YEAR SCHEDULE OF PERCENTAGE OF ANNUAL DEBT SERVICE EXPENDITURES
 FOR GENERAL BONDED DEBT TO TOTAL EXPENDITURES -
 ALL GOVERNMENTAL FUND TYPES
(Amounts in millions)

Fiscal year ended June 30 (1)	Debt service (2)	Total expenditures (3)	Ratio
1994	\$ 1,151	\$ 19,517	5.9
1993	1,143	18,187	6.3
1992	901	18,061	5.0
1991	1,407	19,290	7.3
1990	775	16,861	4.6
1989	654	16,154	4.0
1988	568	14,199	4.0
1987	530	13,257	4.0
1986	522	11,549	4.5
1985	482	9,937	4.9

(1) For 1985 and prior years, total debt service and total expenditures are on the statutory basis, as GAAP basis information is not available for those years.

(2) Debt service includes principal and interest payments related to general obligation long-term bonds and minibonds. Minibonds are general bonded debt instruments reported as fund liabilities because of their demand provisions.

(3) Expenditures related to Higher Education in fiscal years subsequent to 1992 are presented in the University and College Fund Type. Prior years expenditures have not been restated to conform to this presentation.

COMMONWEALTH OF MASSACHUSETTS

TEN-YEAR SCHEDULE OF PER CAPITA GENERAL LONG-TERM BONDED DEBT

(Amounts in thousands)

<u>Fiscal year ended June 30</u>	<u>Massachusetts resident population (1)</u>	<u>Total long- term bonds and notes payable</u>	<u>Per capita long-term debt</u>
1994	6,089	\$9,427,745	1,548
1993	5,998	9,231,458	1,539
1992	5,998	9,264,430	1,545
1991	5,996	8,580,339	1,431
1990	6,020	6,605,039	1,097
1989	6,016	5,370,627	893
1988	5,981	4,272,384	714
1987	5,936	4,001,918	674
1986	5,903	3,625,596	614
1985	5,881	3,713,252	631

(1) 1989 and prior revised per Decennial Census.

Source: United States Department of Commerce, Bureau of the Census

COMMONWEALTH OF MASSACHUSETTS
 COMPONENT UNITS REVENUE BOND COVERAGE
 FOR THE LAST NINE FISCAL YEARS

(Amounts in thousands)

<u>Fiscal year</u> <u>ended June 30</u>		<u>Net revenues (1)</u>	<u>Debt service</u> <u>requirements (2)</u>	<u>Coverage</u>
1994	(3)	\$ 220,185	\$ 192,975	1.14
1993		332,195	305,156	1.09
1992		310,372	295,389	1.05
1991		278,822	260,982	1.07
1990		226,444	260,362	0.87
1989		219,764	49,120	4.47
1988		146,001	45,748	3.19
1987		129,577	57,877	2.24
1986		120,683	74,702	1.62

(1) Net revenues represent the regular recurring operating income (loss) plus operating grants, transfers and depreciation of only those Authorities with revenue bonds outstanding

(2) Debt service requirements represent total debt service payments made less debt service paid on short-term borrowings of only those Authorities with revenue bonds outstanding.

(3) Amounts are reflective of the implementation of the Governmental Accounting Standards Board Statement No. 14, "The Reporting Entity." Prior years have not been restated for incorporation of the new list of component units.

Source: Office of the Comptroller, information is not available prior to 1986.

COMMONWEALTH OF MASSACHUSETTS
MASSACHUSETTS AND UNITED STATES RESIDENT POPULATION 1985-1994
(Amounts in thousands)

Year	United States	% Change	Massachusetts	% Change	Massachusetts as % of U.S.
1994	260,967	1.3%	6,089	1.5%	2.33%
1993	257,592	1.0%	5,998	0.0%	2.33%
1992	255,020	1.1%	5,998	0.0%	2.35%
1991	252,177	1.1%	5,996	-0.4%	2.38%
1990	249,466	1.1%	6,020	0.1%	2.41%
1989	246,820	0.9%	6,016	0.6%	2.44%
1988	244,534	0.9%	5,981	0.8%	2.45%
1987	242,321	0.9%	5,936	0.6%	2.45%
1986	240,162	0.9%	5,903	0.4%	2.46%
1985	237,950	0.9%	5,881	0.7%	2.47%

Source: United States Department of Commerce, Bureau of the Census

COMMONWEALTH OF MASSACHUSETTS
 NONAGRICULTURAL EMPLOYMENT BY INDUSTRY
 IN MASSACHUSETTS AND THE UNITED STATES FOR 1994 (1)
(Amounts in thousands)

Type of industry	MA	% of MA Total	U.S.	% of U.S. Total	MA % vs U.S. %
Total manufacturing:	448	15.1%	18,238	15.8%	95.4%
Total durable goods:	277	9.3%	n/a	n/a	n/a
High technology	164	5.5%	n/a	n/a	n/a
Other	113	3.8%	n/a	n/a	n/a
Nondurable goods	171	5.8%	n/a	n/a	n/a
Total nonmanufacturing:	2,519	84.9%	97,024	84.2%	100.9%
Construction and mining	95	3.2%	5,847	5.1%	63.1%
Transportation and public utilities	128	4.3%	5,921	5.1%	84.0%
Trade:	680	22.9%	26,666	23.1%	99.1%
Wholesale	159	5.4%	6,123	5.3%	100.9%
Retail	521	17.6%	20,543	17.8%	98.5%
Financial services	201	6.8%	6,768	5.9%	115.4%
Other services	1,022	34.4%	32,423	28.1%	122.5%
Government:	393	13.2%	19,399	16.8%	78.7%
Federal	60	2.0%	2,850	2.5%	81.8%
State and local	333	11.2%	16,549	14.4%	78.2%
Total for 1994	<u>2,967</u>		<u>115,262</u>		

(1) Preliminary seasonally adjusted data as of October, 1994

Sources: Massachusetts Department of Employment and Training
 United States Department of Commerce

n/a: Not available

COMMONWEALTH OF MASSACHUSETTS
TEN LARGEST INDUSTRIES
BY NUMBER OF EMPLOYEES AS OF OCTOBER, 1994
(Amounts in thousands)

<u>Industry</u>	<u>Employees</u>
Services	1,022
Wholesale and retail trade	680
Manufacturing - durable goods	277
Local government	235
Finance, insurance and real estate	201
Manufacturing - nondurable goods	171
Transportation and public utilities	128
Construction	94
State government	98
Federal government	60

Source: Massachusetts Department of Employment and Training

COMMONWEALTH OF MASSACHUSETTS
ANNUAL AVERAGE CIVILIAN LABOR FORCE,
UNEMPLOYMENT AND UNEMPLOYMENT RATES
FOR MASSACHUSETTS AND THE UNITED STATES 1984-1994
(Amounts in thousands)

Year	Massachusetts			United States			Massachusetts Rate as % of U.S. Rate
	Labor Force	Unemployment	Unemployment Rate	Labor Force	Unemployment	Unemployment Rate	
1994	3,183	205	6.4%	131,836	7,600	5.8%	110.3%
1993	3,158	207	6.6%	128,633	8,252	6.4%	103.1%
1992	3,126	265	8.5%	126,983	9,384	7.4%	114.9%
1991	3,127	280	9.0%	125,303	8,426	6.7%	134.3%
1990	3,166	189	6.0%	124,787	6,874	5.5%	109.1%
1989	3,180	127	4.0%	123,869	6,528	5.3%	75.5%
1988	3,155	103	3.3%	121,669	6,701	5.5%	60.0%
1987	3,086	99	3.2%	119,865	7,425	6.2%	51.6%
1986	3,058	118	3.9%	117,834	8,237	7.0%	55.7%
1985	3,051	120	3.9%	115,461	8,312	7.2%	54.2%
1984	3,047	145	4.8%	113,544	8,539	7.5%	64.0%

Sources: Massachusetts Department of Employment and Training
United States Department of Labor, Bureau of Labor Statistics

COMMONWEALTH OF MASSACHUSETTS
TWENTY-FIVE LARGEST PRIVATE SECTOR MASSACHUSETTS EMPLOYERS

American Telephone & Telegraph Company
Bank of Boston
Blue Cross of Massachusetts, Inc.
Boston University
Brigham & Women's Hospital Inc.
Digital Equipment Corporation
Friendly Ice Cream Corporation
General Electric Company
Harvard Community Health Plan, Inc.
Harvard University
John Hancock Mutual Life Insurance Company
Massachusetts General Hospital
Massachusetts Institute of Technology
May Department Stores Company
New England Telephone and Telegraph Company
New England Medical Centers Hospital
Polaroid Corporation
Purity Supreme, Inc.
Raytheon Company
S&S Credit Company
Sears Roebuck and Company
Shaw's Supermarkets, Inc.
Star Markets Company, Inc.
State Street Bank and Trust Company
United Parcel Service, Inc.

Source: Massachusetts Department of Employment and Training as of June, 1994

ACME
BOOKBINDING CO., INC.

JUN 26 1996

100 CAMBRIDGE STREET
CHARLESTOWN, MASS

